Foreign Investment Under Scrutiny: The Role of State-Level Regulations and Political Alignment in Chinese FDI Inflows

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Contents

Abstract

With heightened fears of Chinese influence in the United States and their growing economic dominance, Americans have become increasingly wary of the potential threats to national security and economic dependency linked to the role of rising Chinese foreign direct investment (FDI). This study examines the complex relationship between Chinese foreign direct investment (FDI) inflows to the United States through two critical variables: state-level regulatory scrutiny and political partisanship. Utilizing a mixed-methods approach combining quantitative and qualitative analysis, this research highlights the often-overlooked role individual states play in shaping Chinese FDI patterns. The findings reveal two statistically significant relationships: states with stricter regulatory environments tend to attract lower levels of Chinese FDI, and politically conservative states generally impose stricter regulations and thus receive less Chinese FDI. These results underscore the necessity of considering the unique stances of an individual state to fully comprehend and navigate the complexities of Chinese foreign investment in the U.S.

Introduction

As the leader of global trade and exchange for much of the past century, the United States of America has maintained significant influence over international investments and trade. Yet, after decades of unchallenged economic and military dominance following the collapse of the Soviet Union, the U.S. now faces a new China whose rapid rise threatens American hegemony. Fettered with national security concerns and dreams of economic expansion, U.S.-China trade relations have evolved to a unique crossroads of both economic symbiosis and competition. On the one hand, China is one of the U.S.'s largest and most strategic trade partners. In 2024 alone, goods trade with China was an estimated $528.4 billion, creating a mutually dependent economic framework for commerce between the two states (Office of the United States Trade Representative). On the other side, Sino-American political relations have recently deteriorated to a period of tense geopolitical tensions. In this vein, U.S.-China trade relations remain a complex and delicate matter as both nations carefully navigate through balancing their economic and national security interests. Thus, many Americans have become wary about the potential risks of remaining economically tied to China and the Chinese Communist Party's (CCP) conflicting political ambitions.

In 2016 alone, Chinese foreign direct investment in the United States reached a record high of $46 billion (Hanemann, Meyer, and Goh, 7 Sept. 2023), notably impacting sectors like technology, agriculture, real estate, and critical infrastructure. However, existing academic research and media coverage of factors shaping these investment patterns have predominantly emphasized the role of federal policies and national institutions, largely overlooking the influential role that individual state-level regulations and partisanship play in determining Chinese FDI inflows. This research seeks to specifically address this gap by comprehensively analyzing how varying levels of state regulatory scrutiny and divergent partisan landscapes correlate with the levels and total distribution of Chinese FDI.

To fully explore this complex topic, this research employs a split two-part analysis. Chapter 1 quantitatively investigates how varying regulatory scrutiny across U.S. states correlates with Chinese FDI inflows between 2010 and 2020. Utilizing ordinal ranking methods and statistical correlation tests, this analysis identifies patterns and highlights notable outliers. The chapter then shifts to using qualitative case studies to examine specific outlier states (Virginia, California, Kentucky, Texas) to explore potential factors driving these deviations from expected investment patterns given their regulatory frameworks. In Chapter 2, the study examines the influence of political leanings and their regulatory environments. Another rank correlation test is used to evaluate this relationship, which is further supported by highlighting notable outlier states (Utah, Pennsylvania, Hawaii) and the potential reasons that cause certain states to deviate from the broader partisan-policy trends.

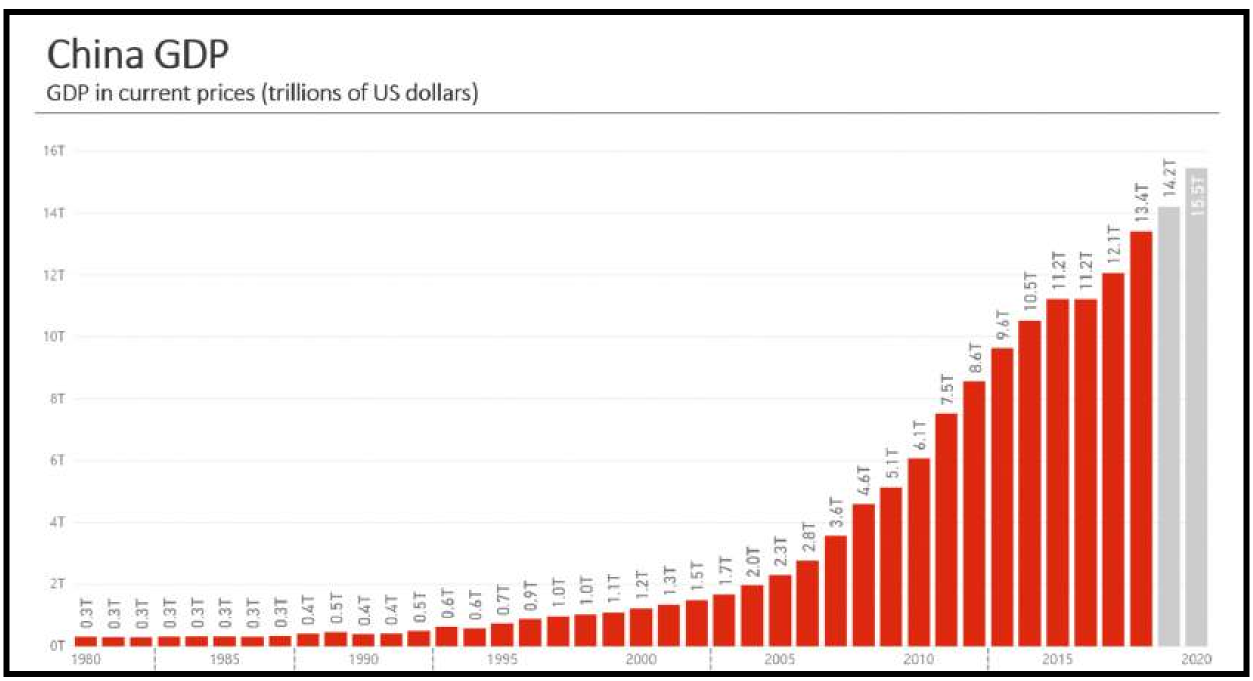
Following these split analytical chapters, the paper synthesizes findings from both regulatory and partisan analyses through a comprehensive case study section. Illinois, Wisconsin, and Florida were selected for in-depth qualitative analysis as they exemplify the broader trends identified in the study. By illustrating each state's unique political composition, legislative and executive regulatory history, and engagement with Chinese foreign investment, this section offers a thorough understanding of how and why most U.S. states align with the study's observed patterns.

Finally, the paper concludes by summarizing its key findings and discussing broader implications for policymakers and investors, as well as potential areas for future research. To enhance the clarity of the paper, a detailed list of abbreviations and relevant laws are included, as well as an appendix section providing data tables used for the study's statistical analyses.

Background & Context

Historical Overview of Chinese FDI in the U.S.

Prior to China's economic reforms a half century ago, the Chinese Communist Party (CCP) maintained a series of centrally controlled state economic policies that were inefficient and detrimental in nature, causing the national economy to stagnate. However, in 1979, under the leadership of Deng Xiaoping, the CCP altered its economic views and opened China up for foreign trade and investment, catalyzing an impressive annual gross domestic product (GDP) growth of 9.5% through 2018 (Morrison, 2019). In this transformation, China's economy pivoted to a model state for foreign direct investment, as corporations around the world invested billions of dollars into cheap Chinese manufacturing. As a result, China soon became one of the world's



top recipients of FDI, with its global trade tripling following its acceptance into the World Trade Organization (WTO).

In the 21st century, China emerged as the leading regional power in East Asia, becoming the world's second-largest economy, coalescing a massive $17.9 trillion GDP (World Bank, 2023). To achieve this, the CCP prioritized economic diversification and technological advancement, aiming to position China as a hub of global innovation while strategically expanding its foreign investments to further these goals. This strategy is evident in the Chinese FDI inflows to the United States, where the country transitioned from being a major recipient of foreign investment to one of the largest sources of investment in the U.S. By the 2010s, Chinese FDI in the U.S. was profound, with investors targeting high-value industries such as technology, real estate, and manufacturing. High-profile acquisitions, such as the HNA Group's acquisition of a 25% stake in Hilton Worldwide, Lenovo's purchase of IBM's computing division in 2005, and the Wanda Group's acquisition of AMC Theatres, signaled a growing presence of Chinese investments across various sectors (U.S.-China Economic and Security Review Commission, 2019). By 2016, Chinese investment in the U.S. had peaked, with over $1.5 trillion in US Treasury and Agency securities and $46 billion in FDI (Hanemann and Rosen, 2016). However, with growing concerns about national security and economic dependency, Chinese FDI soon began to decline thereafter.

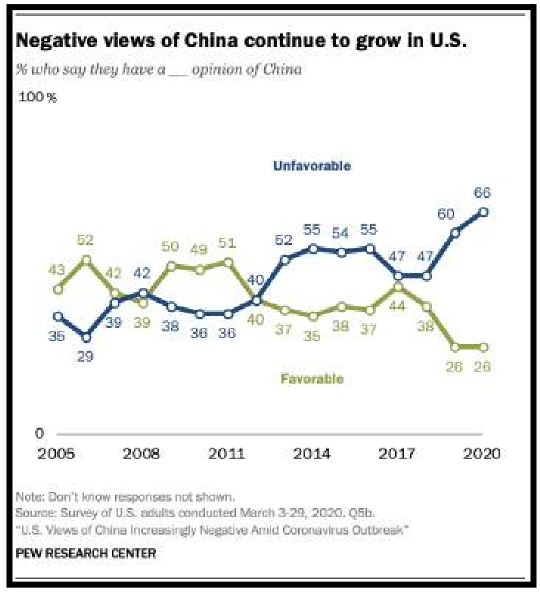
Rising Concerns and Geopolitical Tensions

The escalation of U.S.-China geopolitical tensions has redefined American attitudes and policies toward Chinese FDI investments. Upon taking office in 2017, newly elected President Trump, who campaigned on accusing China of currency manipulation and unfair trade practices, dramatically changed U.S.-China foreign relations. In 2018, President Trump initiated a

U.S.-China trade war, implementing tariffs worth $50 billion in response to alleged Chinese theft of U.S. technology and intellectual property (Council on Foreign Relations, 2025). The imposition of these tariffs highlighted a new wave of American skepticism of doing business with China, raising concerns of Chinese investments in critical industries such as technology, infrastructure, and energy. Policymakers on both sides of the aisle began expressing growing concerns that Chinese foreign investment could pose national security risks, facilitate intellectual property theft, and allow for China to hold economic leverage over strategic U.S. industries.

Beyond the direct trade restrictions and fears of Chinese economic dominance, China's evolving geopolitical influence and shifting reputation in East Asia further heightened distrust towards its foreign investments. Politically, China's assertive expansion in the South China Sea, human rights abuses in Xinjiang, suppression of democratic freedoms in Hong Kong, and increasing global influence through its Belt and Road Initiative led to a bipartisan consensus in Washington to view China as an adversarial nation (Bauer, 2024). As a result, both the Trump and Biden administrations subsequently moved to deflect Chinese influence with high-profile cases such as the forced divestment of TikTok and the ban of Huawei from 5G networks, demonstrating a new non-partisan American stance against China (Bartz and Alper, 2022). By 2020, already heightened U.S.-China tensions soared amid the COVID-19 pandemic. Blaming the outbreak and creation of a new coronavirus as the "Chinese virus", President Trump fueled sinophobia to his supporters and radicalized the Republican Party to adopt even more hardline stances against the CCP and Chinese investments (Mason, Spetalnick, and Pamuk, 2020). Although a newly elected President Biden sought to repair the damaged U.S.-China relations, the existing political climate of distrust towards China remained. From ordering the shootdown of Chinese surveillance balloons over U.S. military installations to restricting China's access to advanced semiconductors and maintaining key Trump-era tariffs, Biden effectively upheld a firm stance against Chinese investment. His administration ultimately prioritized limiting China's economic influence in the U.S. while promoting domestic production, resulting in a continued trend of reduced Chinese FDI inflows.

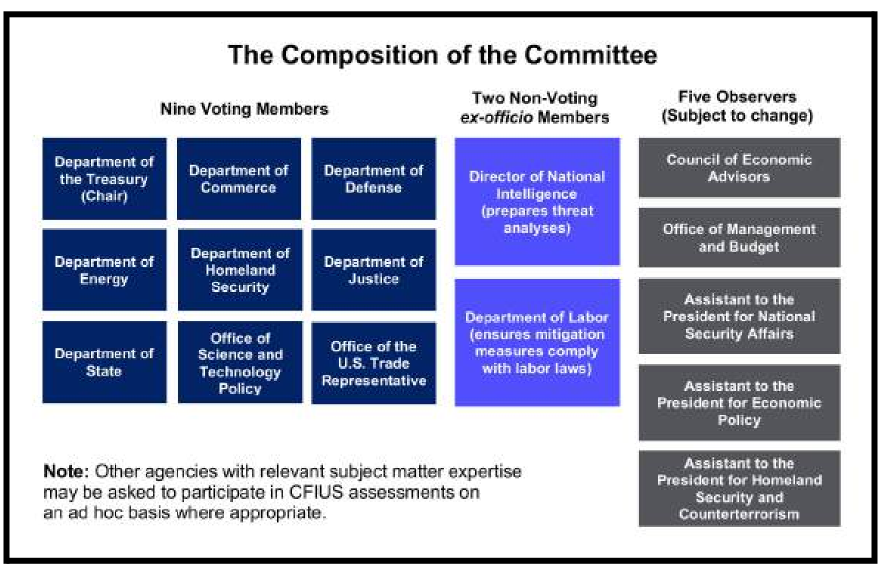
The negative opinion of China and its FDI in the U.S. permeated well beyond those in the seat of governance. For the past five years, eight in ten Americans have negative views towards China, with almost half of the U.S. believing that China's growing technological power and economic competition are a very serious issue (Silver et al., 2023). As a result, state and county governments began implementing their own regulations on Chinese FDI, leading to significant variations in investment policies across different states and local jurisdictions.



Federal vs. State-Level Regulation

Understanding the impact of American regulations on Chinese foreign direct investment requires recognizing the distinct roles and influences that dictate federal and state-level restrictions. At the federal level, the Executive Branch arguably wields the greatest influence in deciding foreign investment policies. Through the use of discrtionary executive orders, administrative directives, and emergency declarations, U.S. Presidents have broad authority in influencing Chinese FDI, such as blocking or imposing restrictions on Chinese investment in companies in critical sectors, such as telecommunications, defense, infrastructure, energy, and technology (Mason, Spetalnick, and Pamuk, 2020). Beyond executive orders, Presidents also issue binding directives to guide key federal agencies, including the Department of the Treasury, Energy, Justice, Homeland Security, Commerce, and State, to align with their foreign investment policies. Finally, through the International Emergency Economic Powers Act (IEEPA), the President has " broad authority to regulate a variety of economic transactions following a declaration of national emergency" (U.S. Congress). Under IEEPA, President Trump in 2020 declared a national emergency, claiming a threat to be posed by investments from Chinese companies linked to the Chinese Communist Party (CCP). Through Executive Order 13959, he prohibited U.S. individuals and entities from purchasing or investing in publicly traded securities of designated Chinese companies, including Huawei, China Telecom, and China Mobile (Federal Register, 2020).

In the Legislative Branch, the U.S. Congress works to create long-term regulatory frameworks through the enactment of laws. One key development was the passage of the Foreign Investment Risk Review Modernization Act (FIRRMA) of 2018, which significantly expanded the authority of the Committee on Foreign Investment in the United States (CFIUS). CFIUS is an interagency committee of various federal agencies that reviews notable foreign acquisitions, mergers, or investments in U.S. businesses that may pose national security risks (U.S. Department of the Treasury). Through the expanded powers under FIRRMA, Congress



empowered CFIUS to more aggressively target and block investments from Chinese firms, particularly those in sensitive sectors such as technology, infrastructure, and defense (Foreign Investment Risk Review Modernization Act, 2018). In serving as both a gatekeeper for high-risk investments, a deterrent from foreign influence, and a source of strategic insight through its mandated annual reports, CFIUS exemplifies Congress's ability to reshape foreign investment policy in response to rising national security concerns.

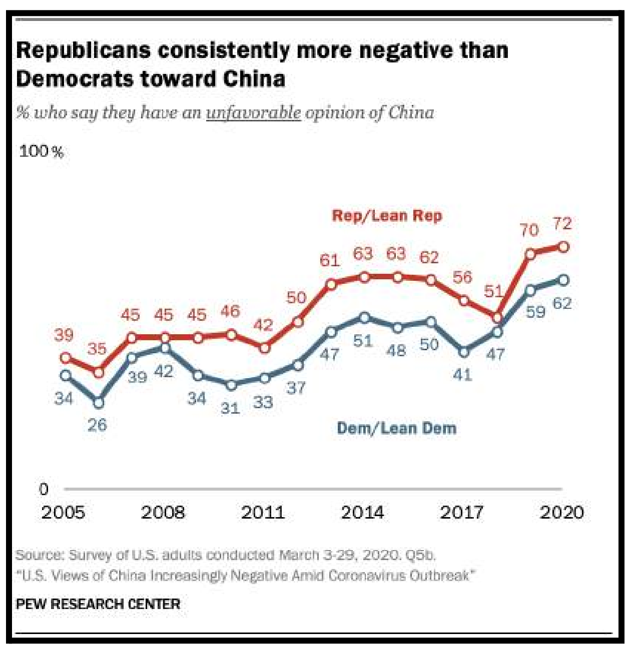
Within the federal judiciary, the courts have played a significant role in upholding the constitutionality and enforcing various regulatory actions by both the executive and legislative branches. Judicial review of executive and legislative actions aimed at restricting Chinese investment has frequently favored the government, granting the U.S. authorities broad discretion. One of the most high-profile examples of pivotal judicial review was during TikTok Inc. vs. Trump, where the Trump administration sought to ban the Chinese-owned video app through utilizing IEEPA. Although the federal courts initially granted injunctions to protect TikTok's due process and First Amendment rights, the courts ultimately sided with the government (Journal of National Security & Law, 2023). Similarly, in Huawei Technologies USA, Inc. v. United States, the company challenged the 2019 National Defense Authorization Act (NDAA) that barred federal agencies from using Huawei equipment (U.S. Congress, 2019). In dismissing the case, the court reaffirmed Congress's authority to restrict foreign entities deemed national security threats, furthering the judiciary's precedent of deferring to the political branches on many matters involving national security and foreign investment risk.

While federal regulations remain supreme in dictating the country's regulatory laws, state governments nonetheless maintain a significant bearing in shaping their state's foreign investment climate through their economic policies and regulatory frameworks. Similar to a President's capacity to execute policies, governors have the ability to implement direct policies to ease or harden the ability for Chinese FDI in their state. Depending on their individual stance, governors may utilize their office to attract Chinese investment with lucrative deals to boost their local economies or implement executive orders to restrict Chinese FDI out of concern for national security or protectionism. In the legislative bodies of states, similar to that of the U.S. Congress, elected representatives have the venue to craft laws that regulate foreign land ownership, restrict state contracts with Chinese entities, or impose additional transparency requirements on foreign investors. For example, last year, the State of Florida's legislature passed a bill into law that banned all Chinese nationals and entities from purchasing land out of fear of growing CCP espionage (Delouya, 2024). Conservative-leaning state legislatures in states like Texas and Arkansas have passed similar laws, while more investment-friendly states, such as California and New York, have limited legislation targeted against FDI inflows. Additionally, state courts play a massive role in handling legal challenges to state-implemented restrictions, setting precedents for how far a state can go in restricting an adversarial nation's ability to invest.

Beyond the branches of state governance, county and municipal authorities often have an impact on FDI inflows, with the capability to offer incentives to implement zoning restrictions against foreign-owned businesses. In Chicago, for example, the city organized a joint trade and investment cooperation agreement with China, becoming the first U.S. city to enter such an agreement with the CCP to boost its economy (Orozco Toledano, Schulz, and Tan, 2025). The U.S.'s multilayered approach to FDI regulation, from the desk of the U.S. President to a city council meeting, results in an inconsistent regulatory environment across the nation. This system has created a unique ecosystem where Chinese investors face varying levels of scrutiny and opportunity depending on political affiliations and geographic location.

Political Alignment and Regulation

The regulatory landscape for Chinese foreign direct investment (FDI) in the U.S. has been subject to heavy politicization within the last decade across federal and state levels. Historically, the Republican Party in the 20th century held a free-market capitalist economic view, following a Reaganism approach to promoting free trade, deregulation, and inviting foreign powers to invest in America’s success (Levy, 2020). Democrats, by contrast, have historically been more protectionist in their representation of union workers and the lower/middle class, who viewed foreign competition and cheap labor as threats to their occupations. However, as globalization proliferated from the 20th to the 21st century, Democrats shifted their policies to become more free-trade friendly, with President Clinton playing a key role in China's admission to the World Trade Organization (WTO) (Council on Foreign Relations, 2025).



In the aftermath of the 2008 financial crisis and the rise of China as a major economic competitor, the typical nonpartisan view toward FDI shifted. China, once viewed primarily as a low-cost manufacturing hub for U.S. companies, came under increased scrutiny amid growing allegations of state-sponsored espionage and rampant intellectual property theft. Furthermore, as China rose to become the world's second-largest economy and largest holder of U.S. debt, by 2010, Republicans adopted a hardened stance of distrust towards a now powerful China (Hurst, 2010). In response to this, the Obama Administration took some steps to regulate Chinese investments in telecommunications and technology, but still widely in favor of Chinese FDI. However, the most dramatic shift in party politics towards China came through President Trump's 2016 campaign and presidency, where he advocated for strong anti-Chinese measures and protectionist policies to be core values of the Republican Party. Meanwhile, Democrats also began to shift their stances against Chinese investments in the U.S., returning to their historical roots of protecting union members from foreign competition, while also criticizing the CCP for their human rights violations in Xinjiang and Hong Kong. Democrats gradually adopted somewhat tougher stances against Chinese FDI. Under President Biden, several of President Trump's trade and investment restrictions remained in place, illustrating that in the present day, there is some bipartisan agreement in skepticism of Chinese FDI (Khalid, 2024).

Factors Driving Chinese FDI to the U.S.

Despite the aforementioned regulations and scrutiny Chinese investors face in the U.S., many Chinese investors are still drawn to invest due to a combination of economic and strategic advantages. As the world's largest economy and center of global innovation, the U.S. remains an attractive destination for Chinese capital. With an economy of opportunities summing a $27.7 trillion GDP, the U.S. is the global leader in innovation and research, home to Silicon Valley, New York, and other major technology and financial hubs (U.S. Bureau of Economic Analysis, 2025). The country drives advancements in key industries such as semiconductor manufacturing, artificial intelligence, biotechnology, clean energy, and automation, maintaining its competitive edge in the global economy (Obama White House, 2011). Furthermore, with numerous world-class universities, leading research institutions, and strong public-private sector collaboration, the U.S. continues to attract top talent, catalyzing future innovations, solidifying its position at the forefront of progress.

In addition to economic incentives, Chinese investors are attracted to the U.S. for strategic and geopolitical reasons. Within China's state-controlled market economy, corporations and private businessmen are subject to regulatory uncertainty, with government policies shifting frequently and disregarding the interests of private industrialists. As a result, Chinese investors have looked to invest capital in a stable and trustworthy business environment outside their home country: the United States. Having garnered an international reputation for stability, reliable business practices, and a transparent legal system, Chinese investors have long felt confident in investing in American markets. Coupled with the fact that the U.S. dollar serves as the world's primary currency, Chinese investors trust their assets to be safe with the dollar's liquidity, security, and universal access to markets. Finally, as China's economy has faced significant challenges in recovering from the COVID-19 pandemic, Chinese investors have lost confidence in their domestic financial system. Midst strict

lockdowns, high unemployment, mounting debt in the real estate sector, and a stagnating economy, Chinese investors seeking to diversify their assets have undoubtedly hedged their capital in the far safer and more predictable U.S. economy.

Literature Review

Attention to Chinese foreign direct investment (FDI) in the United States has become an increasingly prominent topic of media and scholarly attention. Rising fears of Chinese FDI potentially threatening American national security, proliferating intellectual property theft, increasing economic dependency, and harming domestic industries have shaped public sentiments to be skeptical of China and the CCP. Existing literature in this field has extensively analyzed the numerous drivers of outward Chinese FDI, the regulatory landscape in the U.S., and the role geopolitical tensions have played in impacting investment trends.

Determinants of China's outward foreign direct investment

The drivers of Chinese FDI have been widely studied by researchers as an evolving mix of economic, political, and strategic factors influencing Chinese investors. Zhang and Daly (2011) explain that China's aggressive FDI strategy, fueled by being the world's largest FDI recipient, has been guided by two variables. First, China seeks nations that are "positively related to international trade, market size, economic growth, degree of openness, and endowments of natural resources". Second, they value" countries with high volumes of exports from China, large GDP per capita and rapid GDP growth" (Zhang and Dally, 2011). This analysis validates why Chinese investors have seen the U.S. as a prime destination, as its strong, growing economy and high economic interdependency with China frame the nation as a very reliable choice.

In contrast, Kolstad and Wiig (2012) argue that Chinese FDI is not solely influenced by market size or stability, but rather also by the political and economic strength of a host nation. In their analysis, Kolstad and Wiig describe China as a "ravenous dragon…[where] Chinese FDI is conducted to exploit countries with poor institutions and large natural resources" (Kolstad and Wiig, 2012). This investment behavior is substantiated by a pattern of Chinese FDI being disproportionately drawn to nations with weak political and legal institutions, allowing investors to secure strategic assets without facing stringent regulatory constraints. These findings support the present Chinese FDI trends in the U.S., where, as American regulatory constraints have increased, investments have greatly weakened.

Building off this, Dollar (2017) emphasizes the substantial role that regulatory barriers and national security concerns play in shaping Chinese FDI inflows. Unlike an ideal investment destination for Chinese investors where they can take advantage of weak institutions to their gain, the U.S.'s increase in FDI regulations has dissuaded billions in investments. The Committee on Foreign Investment in the U.S. (CFIUS), an interagency review panel that analyzes foreign mergers and acquisitions for national security threats, has made "Chinese policy-makers and entrepreneurs perceive CFIUS to be a major obstacle to increased Chinese investment in the U.S." (Dollar, 2017). This reinforces the view that increased American legal scrutiny deters Chinese FDI, as Chinese firms prefer to thrive in weaker regulatory environments.

The Role of U.S. National Security and Regulatory Barriers

As the perception of Chinese FDI has evolved, so too have the regulatory responses of the U.S. federal government. Originally established in 1975, the aforementioned CFIUS operated with limited oversight and authority, primarily monitoring foreign investments for compliance. However, with growing fears of Chinese FDI, a Democratic controlled House of Representatives and a Republican Senate passed the 2018 Foreign Investment Risk Review Modernization Act (FIRRMA), which granted“ flexibility to CFIUS [that] has made it the most successful of the new restraints imposed on China” (Lewis, 2019). Targeting sectors deemed strategic, such as telecommunications, artificial intelligence, and semiconductors, FIRMA demonstrated a new age of bipartisanism aimed at restricting China’s growing influence in the U.S. economy.

Following CFIUS’s expanded role, the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022 and Executive Order on Outbound Investment Screening have further intensified existing regulatory barriers for Chinese investments. These ordinances, according to Wohno (2022), were aimed to “expand the scope of barring M&A [Merger and Acquisition] attempts for U.S. high-tech companies by entities from countries of concern such as China… and is likely to be used as a policy tool to contain China in conjunction with other measures” (Wohno, 2022). In tightening restrictions on Chinese investments, federal policymakers have illustrated their distrust of Chinese FDI and their willingness to prioritize national security concerns over increased foreign investment opportunities.

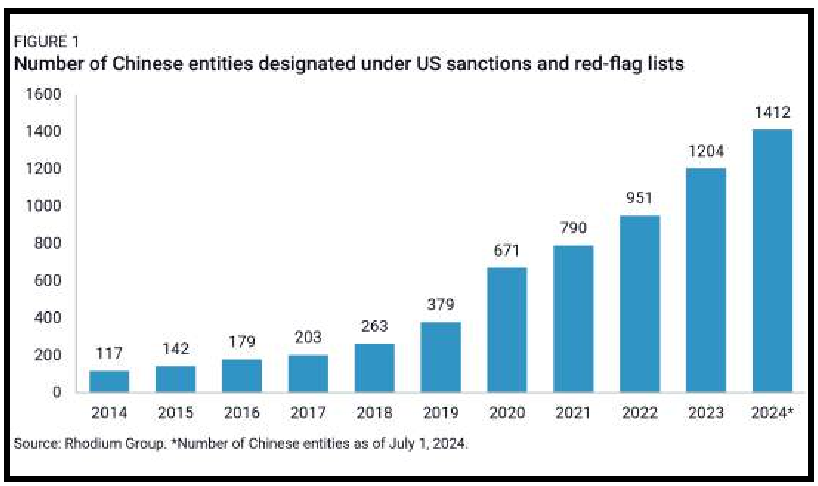


FIGURE 1
Number of Chinese entities designated under US sanctions and red-flag lists

Source: Rhodium Group. *Number of Chinese entities as of July 1, 2024.

The Political Economy of Chinese FDI in the U.S.

Like many aspects of U.S. policy, the political economy and investment climate for Chinese FDI are deeply shaped by partisan divides between Republican and Democratic leaders. Over the past two decades, Republican lawmakers have adopted more protectionist and isolationist views towards Chinese investments, particularly in strategic sectors like technology, energy, and infrastructure. Furthermore, citing national security concerns—including the role of state-owned enterprises, intellectual property theft, and China's 2017 National Intelligence Law, which compels firms to share data with the CCP—, Republicans framed "Chinese investment…[as] intimately tied to threats towards national security and resources" (Rodenbiker, 2024). This rhetoric greatly affects politics at all levels of governance, as Republican leaders progressively pushed for stronger restrictions and less economic dependency on Chinese firms.

Entering the 21st century, Democrats were widely regarded as the more receptive party to Chinese investment as a means to bolster diplomatic relations and grow American globalism. However, as China's political landscape changed, with increased state control over enterprises and perpetuated human rights violations, some Democratic lawmakers became wary of working with China. During the Obama administration, many Democrats nonetheless spearheaded attempts to improve economic relations with China. However, Democratic lawmakers later realized that "China's economic policy [was] largely beyond Washington's reach…Beijing is [not] open to market-oriented reform…[as] China wants to supplant U.S. power in the region" (Udone, 2009). Following this revelation, many Democrats began to join their Republican counterparts in advocating for stronger regulatory measures to curb Chinese influence. As

Democrats grew increasingly suspicious of Chinese influence in the U.S., many in the party still sought venues to maintain cooperation with Chinese industries.

Research Gaps and the Need for a State-Level Analysis

While existing literature has extensively examined Chinese foreign direct investment through the lens of federal policies, there is a notable gap in research at the state level and its impacts in shaping Chinese FDI inflows. Most of the scholarly research into U.S.-China FDI trends is centered around macro-level trends, in evaluating the efficacy of federal legislation, Presidential administrations, congressional party politics, and the evolving national security considerations. However, this narrow focus has resulted in a limited understanding of how state-level regulatory scrutiny and political partisanship influence Chinese FDI inflows. Given each state's autonomous authority to regulate land purchases, enforce industry-specific investment bans, and shape economic policies along partisan lines (among other things), the true scope of factors influencing Chinese FDI remains largely unexplored.

Thus, this study aims to bridge this gap in knowledge by investigating the extent to which differing state regulatory frameworks and political ideologies correlate with Chinese FDI inflows. Through leveraging quantitative and qualitative analysis, this research seeks to illustrate a more comprehensive and precise portrait of the broader U.S.-China foreign investment landscape.

Chapter I: Foreign Direct Investment Regulation Levels and Inflows

(Pages 22-37)

Over the last two decades, Chinese foreign direct investment (FDI) in the United States has become the forefront of American domestic and foreign policy debates. This chapter investigates how varying regulatory environments across U.S. states influence Chinese FDI inflows. While national institutions, such as the role of the U.S. President, Congress, and federal district/appellate courts, often dominate the majority of media and academic focus, the role of individual U.S. states in influencing Chinese FDI is extremely significant. By examining the relationship between the regulatory levels within U.S. states and the Chinese FDI inflows from 2010 to 2020, this study measures the growing influence state policies play in shaping Chinese capital inflows. This chapter proceeds with sections detailing the methodology, findings, analysis, case studies on outliers, and the study's limitations.

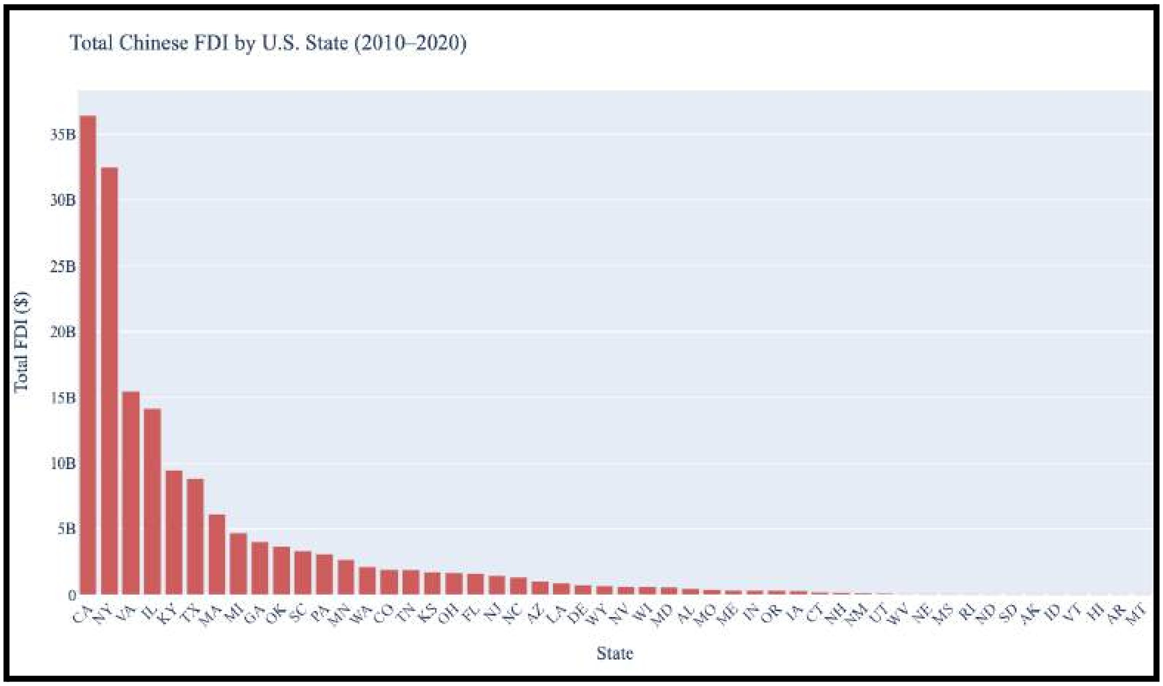
Methodology

I. Research Design

The hypothesis tested is that as the regulatory scrutiny of a respective U.S. state increases, the Chinese FDI inflows decrease. To investigate this hypothesis, a mixed-methods design was chosen to ensure a comprehensive analysis, combining quantitative and qualitative approaches. Quantitatively, Spearman's rank correlation (ρ) is utilized to evaluate the relationship between regulatory levels and Chinese FDI inflows. Additionally, a regression model graph identifies and visually represents outlier states to provide insight into notable deviations from an expected relationship. Qualitatively, a case study of four outlier states provides detailed insights into the observed trends and explanations for observed deviations. Furthermore, additional visuals such as maps, graphs and charts are supplemented to illustrate the relationship between regulatory levels and Chinese FDI inflows across states.

II. Data Collection and Sources

The data for this study was gathered from a number of sources to ensure data accuracy and consistency in results. Information on Chinese FDI inflows from 2010 to 2020 was primarily obtained from "The US-China Investment Hub" report by the nonprofit research lab the Rhodium Group. The report provides detailed state-level data on Chinese foreign direct investment year by year, with 30 years of data tracked.



To categorize states by FDI regulation levels, a combination of sources, including state-level economic reports, past legislation, news publications, think-tank analyses, and research articles, was used to build a comprehensive view of openness to foreign investment (primarily from 2010 to 2020). From this, all 50 U.S. states were categorized into four levels: Minimal (1), Transparent (2), Selective (3), and High (4). These regulatory levels were designed to best reflect the degree of restrictions pursuant to Chinese/general foreign direct investment opportunities and openness in each respective state.

Bloc	Level	Description	Example States
Minimal	1	Very open policies with few barriers to FDI; transparency and streamlined processes for investors.	Nevada, Utah
Transparent	2	Moderate transparency with minimal restrictions; some regulatory frameworks, but not overly deterring.	California, New York
Selective	3	Targeted restrictions on specific industries or countries are often driven by economic security concerns.	Florida, Alabama
High	4	Significant barriers to FDI, include stringent compliance requirements and broad ownership restrictions.	Texas, Idaho

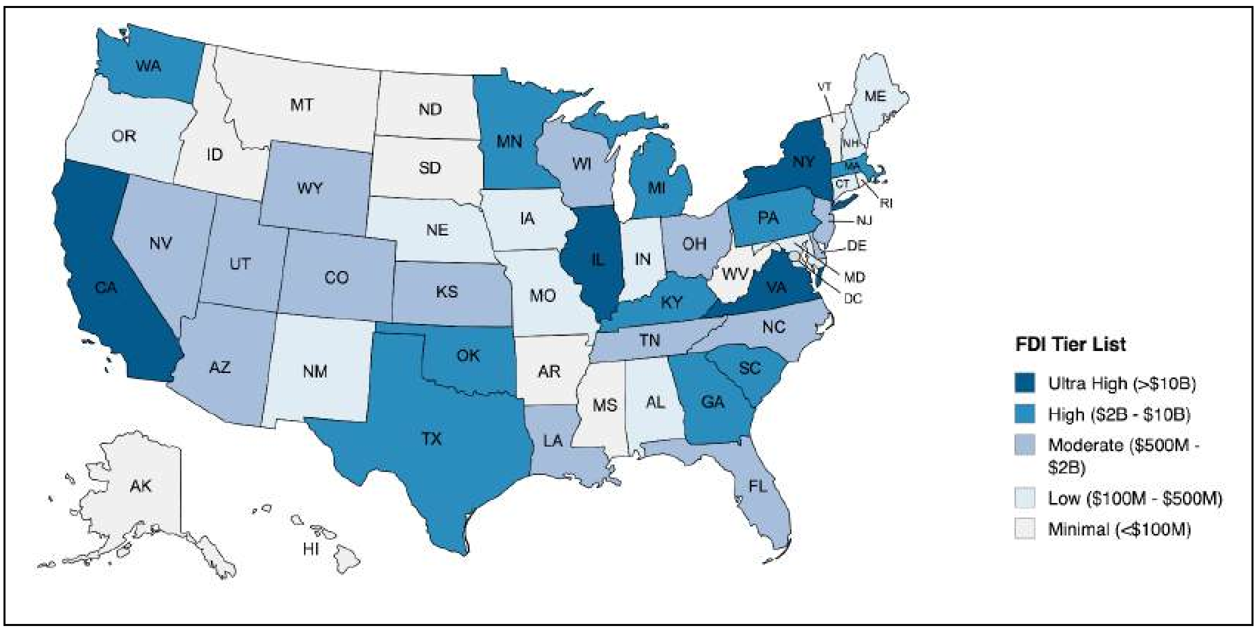
Following this, investments were categorized into tiers based on FDI to effectively compare Chinese FDI inflows across U.S. states with vastly different investment volumes. This tiered approach accounts for the wide variation in absolute investment levels and helps highlight investment patterns in FDI distribution without allowing a few high investment states to dominate the analysis. Accordingly, states were divided into five tiers: Ultra High (1), High (2), Moderate (3), Low (4), and Minimal (5). By stratifying these states, the correlation between regulatory restrictiveness and Chinese investment inflows can be better understood.

FDI Tier	Dollar range	Description	States in this tier (count)
1= Minimal	<$100 million	Minimal FDI, showing negligible engagement with Chinese investors.	12 states (e.g., Alaska, Arkansas, Hawaii, …)
2= Low	$100 m – $500 m	Relatively low FDI, indicating limited investment inflows.	10 states (e.g., Alabama, Connecticut, Indiana,...)
3= Moderate	$500 m - $2 billion	Moderate levels of FDI, showing steady but less intense investment.	14 states (e.g., Arizona, Colorado, Delaware, …)
4= High	$2 b - $10 b	Significant FDI, reflecting strong engagement with Chinese investors.	10 states (e.g., Georgia, Kentucky, Massachusetts,...)
5= Ultra-high	>$10 billion	Exceptionally high FDI, indicating intense investment activity.	4 states (e.g., California, Illinois, New York, Virginia)

III. Variables and Definitions

The statistical analysis relies on two key variables to explore the relationship between U.S. states' FDI regulatory levels and Chinese FDI inflows:

- The independent variable (X) is **'FDI Regulation Level'**, an ordinal variable categorizing each state's regulatory environment into one of four defined designations: Minimal (1), Transparent (2), Selective (3), and High (4).
- The dependent variable (Y) is **' Chinese FDI Inflows'**, a ranked variable outlining the total Chinese FDI for each state from the 10 years of 2010 to 2020. States' FDI are then ranked, highest to lowest, into one of five tiers: Minimal (1), Low (2), Moderate (3), High (4), and Ultra-High (5).



U.S. States by Chinese FDI Inflows (2010-2020)

Findings and Analysis

A Spearman's rank correlation coefficient (ρ) is used to examine the relationship between foreign investment restrictions and Chinese FDI inflows in a scenario where both restrictions and FDI were re-categorized. Unlike Pearson's r, which measures the strength of a linear relationship assuming normal distribution, Spearman's correlation does not require normally distributed variables or a strictly linear relationship, making it suitable for this rank-based approach.

To represent each state's regulatory stance, a "Restriction Level", from 1 (minimal restrictions) to 4 (high restrictions) was assigned, serving as the X-variable. To classify foreign investment levels, the total Chinese FDI (2010–2020) was categorized into five ordinal tiers, ranging from Tier 1 (<$100 million) to Tier 5 (>$10 billion), which served as the Y-variable. Using these two variables, a Spearman's correlation was applied to measure how consistently high or low the FDI ranks (Y) align with the restriction-level ranks (X).

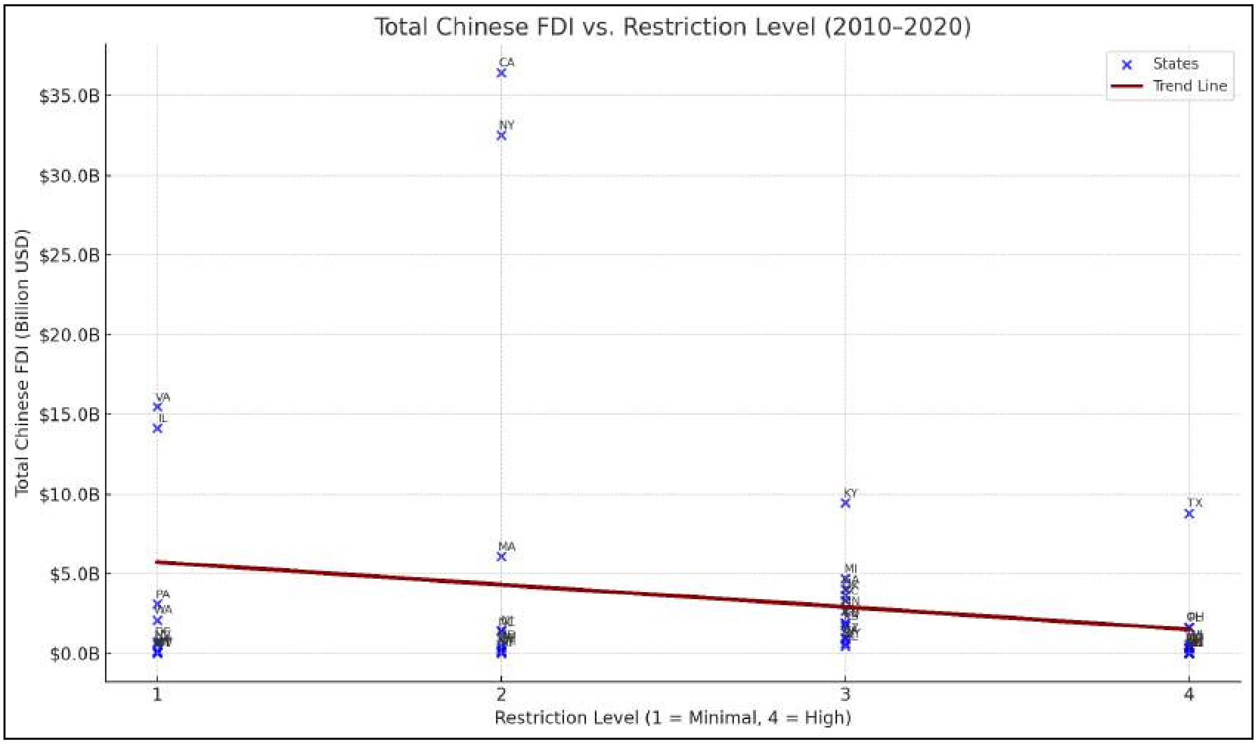
The mathematical equation for Spearman's coefficient is expressed as:

$$\rho = 1 - \frac{6\sum d_i^2}{n(n^2 - 1)}$$

where n is the total number of states (50 in this analysis), and d_i represents the difference between each state's X-rank (restriction level) and Y-rank (FDI tier). The data shows a moderately negative correlation, around **−0.3195**, suggesting that higher restriction levels tend to coincide with lower Chinese FDI. The results thus show that within the period of 2010-2020, there was a noticeable inverse relationship: as restrictiveness went up, Chinese inflows went down. A visual model of this data, graphed with noticeable outliers, illustrates this trend:

Though not an extremely strong correlation, given a p-value of 0.024, there is only a 2.4% probability that this observed relationship would occur from random chance (false positive). Furthermore, with 10 years of U.S./China FDI data and 50 states independently sampled, this study confidently illustrates a statistically significant inverse relationship between level of regulatory scrutiny and Chinese FDI.

The observed pattern of this relationship validates the central hypothesis of Chapter 1: that heightened regulatory barriers play a measurable role in discouraging Chinese foreign investment at the state level. By using ordinal variables to categorize both FDI inflows and restriction levels into groups, the study was able to reveal similarities across states with vastly different economic sizes, populations, and policies. From analyzing these results, it becomes clear the potential policy implications that this relationship may play. This approach not only



revealed a statistical relationship but also opens the study to greater policy implications. While the negative correlation is not absolute, with a number of outliers existing, the overall direction is clear. States that wish to attract greater Chinese investment may need to reconsider their regulatory policies and political rhetoric. Conversely, Chinese investors examining high fields of opportunities in the U.S. may be more skeptical in their view of investing capital into higher restrictive states due to possible risks.

Finally, this study highlights the critical and often overlooked role that subnational governments play in shaping foreign economic and diplomatic relations. Within the U.S.' strong federal republic foundations of governance, individual states are allocated significant jurisdiction and autonomy in the affairs of economic activities within their borders, granting states an active role in influencing the investment decisions of foreign entities. As such, understanding the dimensions of investing FDI into the U.S. would be incomplete without a localized analysis of a specific state in question. While direct U.S. federal policy towards China has a significant bearing in defining investor relations, there is nonetheless a crucial need to analyze the role of individual states in impacting the complex geopolitical relationship.

Outliers Case Studies

To examine for deviations from the expected relationship between state regulatory levels and Chinese FDI inflows, outliers were identified by comparing each state's FDI inflow ranking to its predicted value based on regulation. States with significantly more or less Chinese investment than expected, relative to their regulatory environment, were then flagged through a residual analysis. The standard deviation (σ) of these residuals was calculated to determine z-scores:

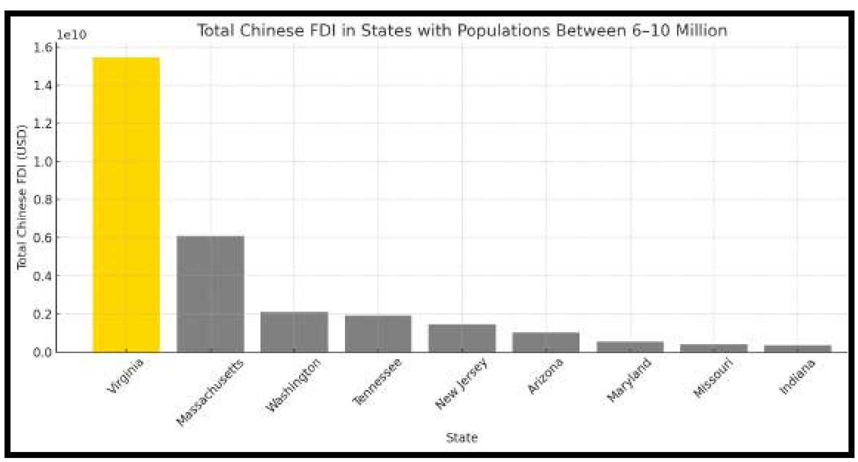
$$Z = \frac{Residual}{\sigma}$$

Based on this method, Virginia, California, Kentucky, and Texas were selected as case studies for further analysis, given their abnormally high levels of Chinese FDI. Thus, this section will go through a brief overview of some possible factors contributing to these deviations, such as economic size, industry specialization, and international connectivity.

I. Virginia (Minimal) $14.48B | +1.38 SD

Virginia's strategic location near Washington D.C., well-developed infrastructure, and fruitful FDI policies have made the state an attractive hotspot for Chinese investors in the U.S..

Policy-wise, the state has been successful in implementing a number of incentives to attract Chinese FDI. Of these, programs like the Virginia Investment Partnership Grant (VIP) and the Virginia Economic Development Incentive Grant (VEDIG) have been crucial to promoting private industry to take the financial risk of moving to the state (Biggins Lacy Shapiro & Co., 2023). Additionally, the Commonwealth's Opportunity Fund (COF) grants the governor discretionary access to a "deal-closing fund" to attract big players to the state. Beyond these grants, Virginia offers a suite of generous tax credits, such as the Major Research and Development Expenses Tax Credit, International Trade Facility Tax Credit, and Refundable Research and Development Expenses Tax Credit (Virginia Department of Taxation, 2025). These specialized credits, combined with sales tax exemptions, enterprise zone programs, and new-job training grants, have positioned Virginia as a unique hub willing to support foreign investment to the fullest.

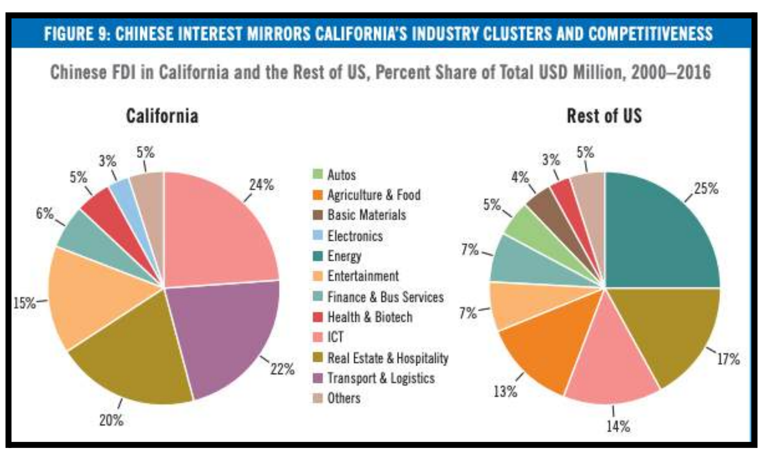


The impacts of these policies have been drastic, with Virginia ranking second out of all 50 U.S. states in per capita Chinese FDI ($1,793.45) and first within its population bracket (6-10 million residents). Some notable Chinese investments in recent years include a $2 billion deal with Shandong Tralin Paper Co. to create a new factory, $2 billion from the Qian Lin Group for pulp production, and $1.6 billion from the Chinese Investment Corporation in Arlington-headquartered AES (Scissors, 2014). Moreover, Chinese firms have come to own 14,000 acres of Virginian farmland, causing a new wave of concern of the risks from the state's open investment policies (Khali, 2023).

II. California (Transparent) – $36.43B | +4.53 SD

The Golden State of California stands out from all other economies in the nation as easily the largest recipient of Chinese FDI, reflective of the state's proactive policies and unique industries. With more than $36 billion in total Chinese FDI between 2010 and 2020, California's great success can be attributed not only to the state's sheer market size, but also to its suite of generous state-level incentives and innovation-driven economy.

The State of California's primary tool for attracting FDI is led by 'GO-Biz': the Governor's Office for Business and Economic Development. GO-Biz offers a variety of services, such as "no-cost consultations for business owners for permit streamlining, clearing of regulatory hurdles, international trade development, and assistance with the state government" (California Governor's Office of Business and Economic Development, 2025). However, GO-Biz's most impactful tools have been levying a number of generous tax credits and exemptions. The California Competes Tax Credit, for example, illustrates one of the state's most popular discretionary tax incentives that allocates up to $180 million



annually in corporate income tax credits to new businesses that create jobs and make capital investments in California. Similarly, the Manufacturing and R&D Partial Sales and Use Tax Exemption grants qualifying businesses up to $200 million annually in sales tax-exempt equipment purchases, drastically lowering the cost barriers for innovation and expansion (California Department of Tax and Fee Administration, 2021).

In addition to government policy, California's position as the world's 5th largest economy and global hub of innovation has by itself played a large role in attracting significant Chinese investments, particularly in the realms of real estate, agriculture and food, and transport and logistics (Hanemann, 2017). High profile acquisitions and strategic stakes—such as Tencent's $1.78 billion investment in Tesla, HNA's $6 billion takeover of Ingram Micro, and Wanda Group's $3.5 billion purchase of Legendary Entertainment—have redefined the investment landscape and tightened the economic-interdependence between China and California (Pierson and Li, 2015).

However, California's openness and latitude granted to high-profile Chinese investments has also faced scrutiny. Oceanwide Holdings' purchases of prime development sites in Los Angeles (2013, $200 million) and San Francisco (2015, $295 million) drew concerns over the financial stability and transparency of foreign-backed megaprojects (Weinberg, 2015). Fosun Pharma's acquisition of Ambrx, a biotech firm with advanced biologic R&D programs, raised alarms about the transfer of sensitive pharmaceutical intellectual property (Lane, 2015). Similarly, BGI's acquisition of Complete Genomics triggered a review by the Committee on Foreign Investment in the United States (CFIUS), due to concerns over data privacy and the national security implications of Chinese access to U.S. genomic technologies. (Asian Scientist Newsroom, 2013).

III. Kentucky (Selective) – $9.46B | +0.92 SD

Although not considered a statistically significant outlier (under 0.08), Kentucky's abnormally high level of Chinese FDI, given its relatively low national rankings of #47 in economy, #43 in fiscal stability, and #34 in education, makes the state's general divergance an interesting case study (Kentucky Rankings, 2025). These factors, on top of selective restrictions like Kentucky House Bill 575, which "block non-U.S. interests with government ties to China…from buying or leasing farmland", would normally illustrate such as an undesirable for Chinese foreign investment (Hanchett, 2024).

Despite this, however, Kentucky has emerged as one of the greatest recipients of Chinese FDI in the country, catalyzed by generally pro-international business policies and incentives. The Kentucky Business Investment (KBI) Program stands out as the centerpiece of the state's pro-business strategy, granting corporations up to 100% of their corporate income tax liability and 4.5% of taxable wages for up to 15 years (Biggins Lacy Shapiro & Co., 2025). Complementing programs such as the Kentucky Enterprise Initiative Act (KEIA), Kentucky Reinvestment Act (KRA), and Industrial Revenue Bonds (IRBs) have worked hand-in-hand in attracting significant Chinese foreign direct investment (Kentucky Cabinet for Economic Development, 2025).

Outside of state-specific policies, Kentucky also benefits from its central location in the U.S. and logistics infrastructure, housing the massive UPS Worldport, an Amazon Air Hub and DHL Express Hub at Cincinnati Airport, and significant logistic hubs, such as rail and riverport (Conner Logistics, 2025). Additionally, Kentucky's economy specializes in automotive, appliance, and advanced manufacturing industries of particular interest to Chinese foreign investors. This has led to many notable Chinese investments in Kentucky, such as the historic

$5.4 billion acquisition of GE Appliances, the $3.6 billion purchase of a laser printer company, and a $2 billion investment to create an EV battery plant (Reuters, 2016). Collectively, these investments have greatly stimulated Kentucky's comparatively weak economy and provided a stable source of local job creation and economic activity, dissuading the Republican controlled state congress from engaging in legislating additional FDI restrictions.

IV. Texas (High) – $8.8B | +1.03 SD

With some of the most outspoken anti-Chinese FDI policies and politics, the state of Texas has stood out as a fierce opponent to Chinese influence in the U.S.. In recent years, Texas has advanced a number of legislative bills to curb Chinese FDI, such as House Bill 17 and Senate Bill 147, which aim to limit 'adversarial nations', such as China and Chinese investors, from owning or purchasing land (Jankowski, 2025). Additionally, the governor has implemented a slew of executive orders against China, most notably a directive forcing all state agencies to completely

Proposition 13

The ballot question was as follows:[1]

Texas should ban the sale of Texas land to citizens, governments, and entities from China, Iran, North Korea, and Russia.
[] Yes
[] No[3]

Republican Party Proposition 13 (March 2024)

Result	Votes	Percentage
Yes	2,153,591	95.24%
No	107,581	4.76%

divest from any investments originating in China and requiring companies bidding for state contracts to certify they are not owned by foreign adversaries (Abott, 2022). These policies have been widely popular amongst Texans: a recent poll found 76% of Texans agree with banning land sales to China, while Proposition 13, a Republican primary ballot measure aimed to end land sales to Chinese citizens, passed with an overwhelming 95% support (Texas Policy Research, 2024).

Despite this, Texas remains one of the nation’s largest recipients of Chinese FDI, with a business-friendly climate and growing markets seeking investments. As the second largest economy in the country, Texas's vast consumer market, oil and gas production, and manufacturing sector have, on their own, attracted swaths of Chinese investors despite regulatory scrutiny. Texas's no state income tax has further attracted numerous tech, aerospace, and finance companies to move to the state, transforming cities like Houston, Dallas, and Austin into emerging innovation hubs, primed for foreign investment (Malcom, 2025).

Outside the base economy, Texas's central location in North America has made it a natural nucleus in attracting foreign commerce. Capitalizing on their location, Texas has greatly invested in transportation logistics and infrastructure for foreign trade, with “more airports, miles of public roadways, state highways, freight railways and FTZs (foreign trade zones) than any other state in the nation” (Texas Economic Development & Tourism Office, 2025). Coupled with a 10-year $142 billion investment in new state roadways and $240 million for more seaports, Texas has cemented its position as a logistics powerhouse, streamlining the exchange between domestic and international markets (Office of the Texas Governor, 2023). These dynamic benefits have incentivized Chinese investors to continue doing business with Texas despite stricter regulatory policies. Within the energy sector alone, Texas has attracted major Chinese investments, including a $2.2 billion stake by the China National Offshore Oil Corp. (CNOOC) in Chesapeake Energy, Yantai Xinchao $1.3 billion purchase of oil fields in the Permian Basin, and Xinjiang Goldwind, one of China's largest turbine manufacturers, creating wind farms to support the Texas power grid (Mufson, 2010). Even as Texas's political climate grows more hostile against China, Chinese FDI has remained extraordinarily high from the draw of Texas's markets and continued presence of major investments that were grandfathered into exemption prior to recent anti-FDI laws. As all new Chinese deals face heightened scrutiny under existing and future laws, Texas remains a striking outlier as a rare state where Chinese investors have continued to risk investing capital to maintain access to critical markets and industries.

Limitations of Study

This observed relationship should be interpreted with caution due to several limitations and factors inherent in the use of this data and statistical tests. It is essential to acknowledge that correlation does not imply causation: while this analysis highlights a high likelihood for a statistical association between FDI inflows and regulations, it does not account for potentially confounding variables such as economic conditions, political factors, or industry-specific dynamics that may also influence Chinese FDI inflows. The correlation coefficient of approximately -0.32, though moderate, is far from indicating a definitive or overwhelmingly strong relationship. It suggests an observable trend, but the strength of the association remains within moderate bounds and does not provide irrefutable conclusions. Finally, and perhaps most significantly, the data analyzed reflects state-level Chinese FDI from 2010-2020—a decade of time separated by five years from the time this paper was written. Since that period, political and economic tensions between the U.S. and China have intensified, changes in the supply chain following the COVID-19 pandemic disruption, and new national security laws have altered the geopolitical dynamics. These developments have likely had a great influence on the overall Chinese FDI in the U.S., possibly prompting shifts in state-level policies that could have altered the U.S. FDI landscape substantially. This time gap complicates drawing precise conclusions from the analysis, as the findings may not fully capture present-day investment dynamics or the effectiveness of current regulatory policies. Despite these limitations, the study still offers meaningful insights into how state-level regulatory environments may influence Chinese foreign investment patterns in the U.S. and points to areas worthy of further exploration.

Chapter II: Political Leanings and Foreign Direct Investment Regulation Levels

(Pages 37-51)

Introduction

In addition to regulatory environments, the political ideology and leanings of individual U.S. states play a critical role in influencing attitudes toward Chinese foreign direct investment (FDI). This chapter explores how state-level partisanship shapes the restrictiveness of a state's FDI regulation framework, offering a deeper understanding of the elements that determine a state's FDI inflows. While national attention predominantly focuses on clashing political powers within federal institutions such as the Presidency and Congress, the role of partisanship within individual states, seen through their state legislatures, governorships, and voting patterns, has a subtle yet significant impact on influencing the nation's broader posture. By analyzing the relationship between political leanings and FDI restriction levels across all 50 states, this chapter reveals how ideological divergences shape state restriction levels, thus, impacting Chinese FDI inflows. This section proceeds with segments detailing the methodology, findings, analysis, case studies on outliers, and the study's limitations.

Methodology

I. Research Design

The hypothesis tested in this chapter is that the more strongly a state leans Republican, the higher a level of regulatory restrictions on FDI will be present, while the more Democratic-leaning states will tend to have lower restrictions. To explore this hypothesis, a quantitative method of statistical analysis is used in conjunction with qualitative methods to visualize results. A Spearman's rank correlation (ρ) is utilized to investigate the relationship between political orientation and regulatory levels. Following this, a stacked bar chart with a color gradient (red to blue) is used to visually represent the distribution of FDI regulation levels across political scores, allowing for a clearer understanding of the trends.

II. Data Collection and Sources

In coalescing data for my statistical testing, I relied on partisan and publicly available data to supplement the reliability and consistency of my results. Political leaning scores were gathered from the National Conference of State Legislatures (NCSL) and Ballotpedia's 2020 partisan composition reports, which provided information on state governorships, state houses, and state senates' control. Additionally, each state's voting record for the 2020 Presidential Election was documented from the Federal Election Commission's 2020 records. With this data, a scoring system was applied: governorship, state house, and state senate control were each assigned a score of +2 for Democratic control, –2 for Republican control, or a +0 for split control, while the 2020 presidential election result added +2 for states that voted for Biden and –2 for those that voted for Trump. Each state's scores were thus summed, ranging on a scale of

–8 (strongly Republican) to +8 (strongly Democratic). The full data set mapped with scoring can be found in Figure 2.1.

Score Range	Classification	Description
+8	Strong Democratic (Blue)	Highly liberal, consistently Democratic across factors.
+4 or +6	Lean Democratic (Light Blue)	Predominantly liberal but with some moderate tendencies.
0	Mixed/Moderate (Purple)	Balanced, split control, or centrist tendencies.
–4 or –6	Lean Republican (Light Red)	Predominantly conservative but with some moderate tendencies.
–8	Strong Republican (Red)	Highly conservative, consistently Republican across factors.

For FDI regulation levels, a number of sources were considred in to help build a comprehensive view on a state's regulatory stance: state-provided economic policy reports, past legislation, news publications, think-tank analyses, and research articles. From this, states were categorized into four levels: Minimal (1), Transparent (2), Selective (3), and High (4). These regulatory levels were designed to best reflect the degree of restrictions pursuant to Chinese/general foreign direct investment opportunities and openness in each respective state.

Bloc	Level	Description	Example States
Minimal	1	Very open policies with few barriers to FDI; transparency and streamlined processes for investors.	Nevada, Utah
Transparent	2	Moderate transparency with minimal restrictions; some regulatory frameworks, but not overly deterring.	California, New York
Selective	3	Targeted restrictions on specific industries or countries are often driven by economic security concerns.	Florida, Alabama
High	4	Significant barriers to FDI, include stringent compliance requirements and broad ownership restrictions.	Texas, Idaho

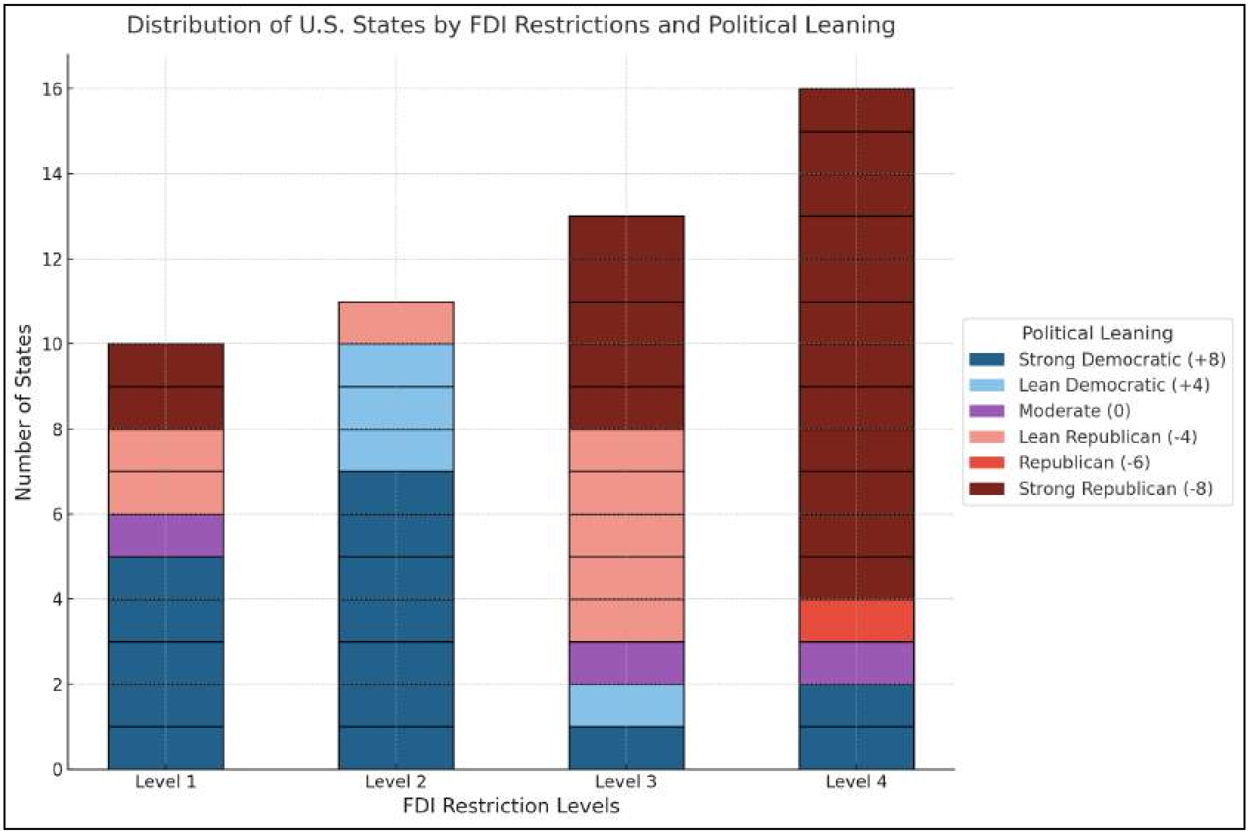
III. Variables

The statistical analysis relies on two key variables to illustrate the relationship between U.S. states' political leanings and their FDI regulatory levels:

- The independent variable (X) is **'political leaning'**, which is a numeric score assigned based on a state's political party control and presidential election results. The scores range from –8 (strongly Republican) to +8 (strongly Democratic), with +/- 2 points in party affiliation (+2 for Democrat-leaning, -2 for Republican-leaning).
- The dependent variable (Y) is **'FDI Regulation Level'**, an ordinal variable categorizing each state's foreign direct investment (FDI) regulatory environment into one of four carefully selected designations: Minimal (1), Transparent (2), Selective (3), and High (4).

IV. Analytical Approach

To investigate the relationship between political leanings (X) and FDI regulation levels in U.S. states (Y), a Spearman's rank correlation (ρ), which measures the strength and direction of a relationship between two ordinal variables, was used as the primary test of analysis. This method was chosen because both the political leaning scores (ranging from –8 to +8) and the FDI regulation levels (ranging from 1 to 4) are ranked or ordinal data. Furthermore, Spearman's correlation does not assume linearity or normal distribution, making it ideal for this type of analysis. To complement this statistical analysis, a visualization was utilized in the form of a stacked bar chart to clarify findings. The chart itself illustrates the distribution of FDI regulations across political scores, utilizing a red-to-blue gradient, where darker red represents stronger Republican state influence and darker blue symbolizes stronger Democratic states. Purple was used to represent moderate and mixed states that fell between Red and Blue influence. This, in tandem with Spearman's test, provides a comprehensive statistical and visual analysis of the



relationship and distribution patterns between political leanings and FDI regulation levels.

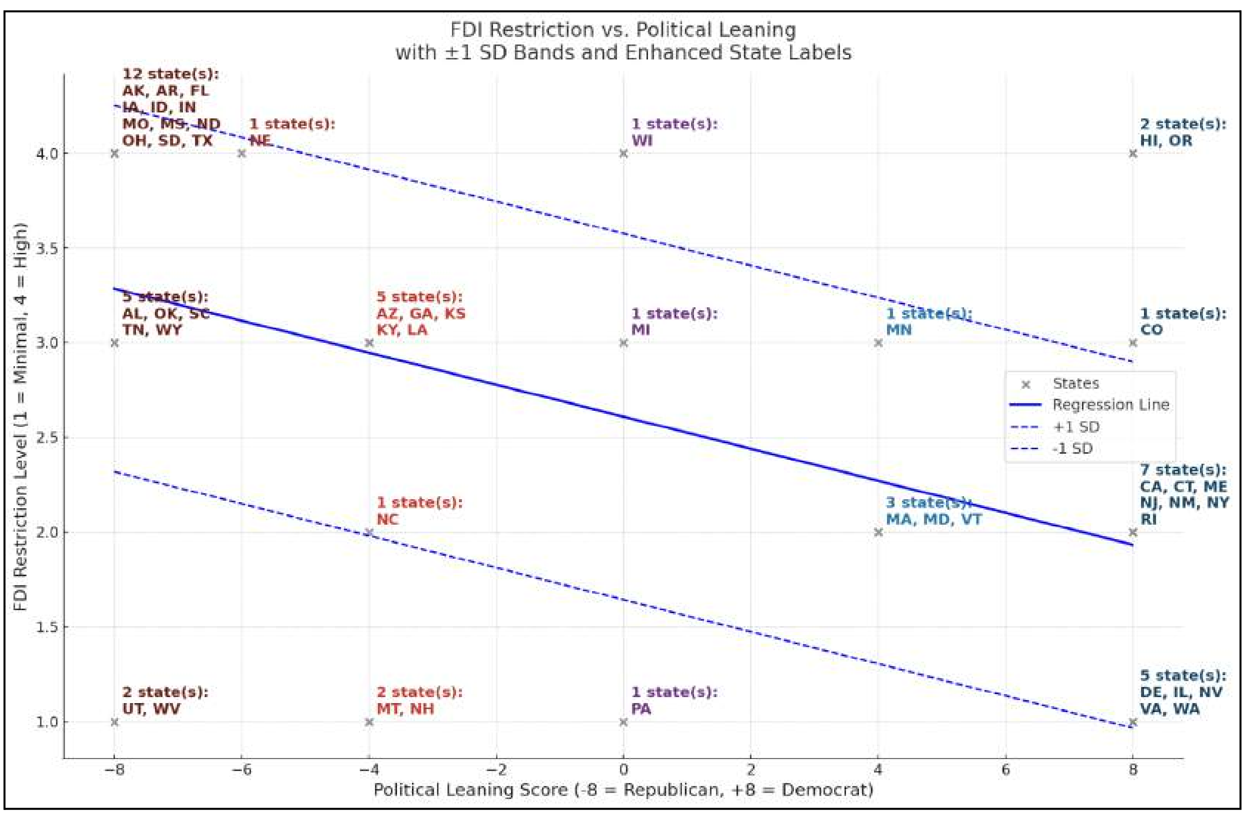
Findings and Analysis

This study aimed to investigate the hypothesis that U.S. states with more Republican-leaning statuses are more likely to impose stricter foreign direct investment regulations, while more Democrat-leaning states are expected to adopt more open policies. This section will utilize Spearman's rank correlation analysis, alongside a bar chart visualization to illustrate the relationship between political leanings (X) and FDI restrictiveness (Y). The mathematical equation for Spearman's coefficient is expressed as:

$$\rho = 1 - \frac{6\sum d_i^2}{n(n^2-1)}$$

where n is the total number of states (50 in this analysis), and d_i represents the difference between each state's rank with their political leaning score (X) and its rank on the FDI restriction level (Y).

From this analysis, a moderate-to-strong negative correlation emerged ($\rho \approx -0.55$), suggesting that Republican-leaning states, characterized by lower (negative) political scores, consistently incorporate higher levels of FDI restrictions. Conversely, Democratic-leaning states, with higher (positive) political scores, are observed to maintain more open and less restrictive FDI policies.



This correlation was highly statistically significant ($p \approx 0.000036$), meaning there is a less than 0.004% likelihood that this observed relationship occurred due to random chance. These findings closely align with the study's initial hypothesis, clearly underscoring a significant inverse relationship between Republican partisanship and openness to foreign direct investment.

The visible rightward transition from dark red for Republican-leaning states to dark blue for Democratic-leaning states underscores a distinct relationship between state-level political alignment and regulatory restrictions on Chinese FDI. An apparent trend emerges from this visualization, in which states with predominantly Republican affiliations (lower political scores) consistently apply stricter FDI regulations, categorized within the higher restriction levels (Selective and High). Conversely, states with predominantly Democratic affiliations (higher political scores) frequently adopt more open, investor-friendly regulatory stances, characterized by lower levels of restriction (Minimal and Transparent). Moderate or politically mixed states projected a more balanced regulatory distribution, reflecting the interplay of bipartisan influences and competing policy priorities.

This balanced stance reinforces the hypothesis that state-level partisanship is a substantial determinant in shaping FDI regulations. Overall, it is observed that Republican states generally prioritize protectionist policies to safeguard domestic industries and subdue national security concerns, while Democratic states leverage foreign investment as a driver for economic expansion, innovation, and international collaboration. By illustrating clear partisan divide in regulatory approaches, this chapter provides relevant insights into how ideological differences influence policy formulation, which in turn, impacts the distribution of Chinese foreign direct investment across the United States.

When interpreting these results, it is important to emphasize how these findings should be taken with caution, as correlation does not equate to causation. That said, these observable patterns may hold particular value for policymakers and investors, enabling policymakers to adjust state policies strategically to attract foreign capital, while providing investors with a more reliable framework for assessing the investment climate in different states based on political conditions.

Outlier Case Studies

To examine deviations from the expected relationship between political partisanship and state-level FDI regulation, outliers were identified by comparing each state's regulatory level to its predicted value based on partisan alignment. States whose regulatory environments were significantly more permissive or restrictive than expected relative to their composite political leanings were flagged through residual analysis. As in Chapter 1, the standard deviation (σ) of these residuals was used to calculate z-scores:

$$Z = \frac{Residual}{\sigma}$$

Using this method, Utah, Pennsylvania, and Hawaii were identified as notable outliers. These states' regulatory behaviors diverged significantly from the broader partisan trends observed across the dataset. This section thus explores potential explanations for these anomalies, including unique governmental structures, historical political shifts, economic dependencies, and localized policy priorities.

I. Utah (Minimal) – Strong Republican (–8) | –3.19 SD

Since the early 1990s, Utah's political landscape has been dominated by Republican leadership. Stably controlling the governorship and state legislature, as well as consistently voting for Republican presidential candidates, Utah's political climate illustrates a bastion of conservative governance (Ballotpedia, 2025). Yet, despite their deep red-state status, Utah's regulatory scrutiny towards Chinese foreign direct investment (FDI) is minimal, landing the state 3.19 standard deviations below the expected restrictive level of classification.

One of the primary forces influencing Utah's minimal restrictions was Governor Jon Huntsman Jr. from 2005 to 2009. Fluent in Mandarin and later appointed as the U.S. Ambassador to China under President Obama, Governor Huntsman catalyzed a movement of making Utah more business-friendly to global investors and accommodating to Chinese presence in the state (Allen and Budoff Brown, 2009). This approach was carried on by successive Republican governors Gary Herbert (2009-2021) and Spencer Cox (2021-present), who continue to emphasize economic growth and prosperity through foreign investment attraction. As a result, Utah's Governor's Office has proactively worked to court foreign investments and ward off anti-FDI legislation for the past two decades. Central to this effort, "Utah's international trade strategy is based on diplomacy… and attracting foreign investment", the Governor's Office of Economic Opportunity (GOEO) hosts over 40 diplomatic visits annually (Utah Governor's Office of Economic Opportunity, 2025). Subsequently, China

Utah Governor Gary R. Herbert Meets with Top Chinese Business Leaders

SEPTEMBER 18, 2015
NEWS

As part of the Zions Bank Utah Trade Mission to Hong Kong and China, Governor Gary R. Herbert attended several meetings on Sept. 16 and 17 with some of China's top business leaders to strengthen existing international relationships and build new ones.

has emerged as a pillar in Utah's growth, recently becoming the state's third-largest export market of $740 million and contributing to a 34% increase in FDI-driven employment (Utah Policy, 2020).

As a result of these efforts, in 2024, Utah was named the top U.S. state for Asian Investment according to BGR Analytics (Sullivan, 2024). Although Utah does not rank near the top states for Chinese FDI inflows, the state's consistently open investment policies, outreach, and incentive programs have elevated the moderately small state of Utah to become an emerging destination for Chinese FDI. Thus, Utah diverges from the partisan norm by demonstrating that even a very conservative state can remain quite open to foreign business, though the

II. Pennsylvania (Minimal) – Moderate (0) | –2.13 SD

The state of Pennsylvania is a politically moderate swing state, standing out as an outlier for a significantly lower than predicted FDI restriction level. For over the past 30 years, party control for Pennsylvania has alternated between Democrats and Republicans, with the governorship in particular being a contentious battle (Ballotpedia, 2025). For example, just in recent years, Republican Mark Schweiker was succeeded by Democrat Edward G. Rendell, followed by Republican Tom Corbett, and then later by Democrat Tom Wolf (National Governors Association, 2025). Similar in both houses of the state legislature and the state's differing 'swing' votes for both Democrat and Republican Presidental candidates, Pennsylvania's political history illustrates a centrist and often balanced approach to issues such as FDI regulation, free from the influences from the politicalization that shapes power in deep red or blue states. Reflecting its history of split control in both chambers of the state legislature and its alternating support for Democratic and Republican presidential candidates, Pennsylvania often illustrates a balanced political approach, extending to Chinese FDI regulatory policy.

Better insulated from populist political pressures due to the state's moderate makeup, Pennsylvania has generally ignored restricting Chinese FDI to score political points. Instead, Pennsylvania's Department of Community and Economic Development (DCED) is aiming to boost local business growth and international trade relations. Specifically, Pennsylvania has actively promoted EB-5 investment programs, which offer a pathway to U.S. residency in exchange for large capital investments (He, 2017). To attract these investors, Pennsylvania has engaged in a number of trade missions aimed at laying the foundation for future ventures. In 2017, Philadelphia signed a Memorandum of Understanding (MOU) with the World Trade Center of Tianjin, China. Under the agreement, Philadelphia committed to sharing knowledge on advanced medical care and expanding for more Chinese students at local universities, while Tianjin pledged to promote Pennsylvania as an ideal hub for trade and investment to other Chinese provinces and many businesses in Tianjin (White and Williams LLP, 2017). As a result, Philadelphia alone has attracted around $1 billion in EB-5 funds over the past decade, with a vast majority being Chinese (He, 2017). These investments have helped revitalize local economies and create new jobs, propelling China as one of the state's leading trading partners. The success of Chinese FDI represents how a mixed/moderate state such as Pennsylvania can diverge from its expected partisan restrictions in favor of pragmatic economic outcomes.

Recognizing the positive benefits for both rural Republicans and urban Democrats, Pennsylvania's political system has been careful not to undermine these investments.

Hawaii (High) – Strong Democrat (+8) | +2.13 SD

For over the past 30 years, Hawaii's political landscape has been characterized as a Democratic stronghold, with 25 years of these years being a political trifecta of state control (Ballotpedia, 2025). With periods in which the entire 25-member state Senate has lacked any Republican representation, Hawaii's strong one-party dominance has made it so that policy debates only occur within the Democratic party itself (Blaire, 2018). This, in addition to Hawaii's foreign-reliant economy of tourism, real estate, and agriculture, might make one expect the state to have very open FDI-investment policies. Yet, Hawaii stands out as an outlier with its FDI regulatory level, supporting protectionist views reflective of its state's unique economic structure and domestic pressures.

Foreign investment in Hawaii has historically been a double-edged sword. On one hand, Hawaii's tourism and real-estate markets, central to the state's success, have been infused with billions in investments from China and other nations, like Japan and Canada. This injection of foreign spending has catalyzed the industry to support thousands of local jobs and generate billions of dollars in tax revenue each year (Murphy, 2020). On the other hand, the speculative boom of investment in real estate by foreigners has surged property values beyond local affordability, increasing the general price of living and contributing to severe housing shortages for working-class residents (Daysog, 2018). As a result, Hawaiians lobbied to restrict foreign ownership of real estate, agriculture, and tourism involvement primarily to protect local interests. Drawing inspiration by harsh anti-foreign FDI laws in states like Texas, Florida, and Arkansas, Hawaii has introduced a number of its own. Among these is House Bill 929, which bans foreigners from holding real-estate interests within two miles of federal land, and Senate Bill 1, which fully bans certain foreign parties from acquiring any interest in agricultural land (Hawaii State Legislature, 2025). Notably, rather than referencing the U.S. Department of Commerce's commonly used list of foreign adversaries, Senate Bill 1 targets entities linked to countries designated under the International Traffic in Arms Regulations (ITAR): a more security-focused framework rather than solely a pejorative political designation (LegiScan, 2025). On top of these, Senate Bill 2617 directs the Legislative Reference Bureau to engage in a comparative study of FDI restriction laws across 41 U.S. states, further underscoring Hawaii's increasing desire to adopt more protectionist policies and reject Chinese foreign investment (Hawaii State Legislature, 2024). Thus, Hawaii stands out as an outlier state where partisan alignment and general economic opportunity are overridden by local protest, fusing progressive demands for a more affordable standard of living with conservative wariness of foreign influence.

Limitations of Study

While the design of this study has been designed to be robust, there are several limitations to its results that should be acknowledged. To maintain consistency with the research that informed Study 1, all data in this analysis were derived from the years 2010 to 2020. As a result, this leaves open the possibility that the findings based on the snapshot of data may no longer accurately reflect significant shifts in governance or economic policies that have occurred since then. Since 2020, there have been three shifts in presidential administrations, and states' legislative priorities and political standings are influenced by ongoing global developments.

Additionally, categorizing FDI regulation levels into four broad groups poses two potential issues. The complexities of a state's regulatory approach towards FDI are highly complicated, with many states having unique situations, which may be better defined outside of only four classifications. While available data and reputable sources inform the placement of states into these groups, it inherently involves a degree of subjectivity, as some policy nuances may not fit neatly into predefined categories. On another note, the study's emphasis on state-level politics, with three-quarters of the focus allocated to state governance, excludes other potentially relevant factors, such as the role of local municipalities and counties. These smaller jurisdictions, often with diverging political ideologies, may either counteract or amplify state-level policies, influencing FDI investment opportunities in ways that are not captured in this analysis. Finally, it is essential to emphasize that the study identifies correlations, not causal mechanisms: other factors, such as economic and social conditions, may play a large part in dictating this relationship. Despite possible limitations, the strength of the observed correlation, along with individual sampling across 50 states and a decade of U.S./China FDI data, offers meaningful insights into how state partisanship may influence regulatory scrutiny, and in turn, shape Chinese FDI inflows into the U.S.

Chapters I and II: Representative Case Studies

(Pages 52-66)

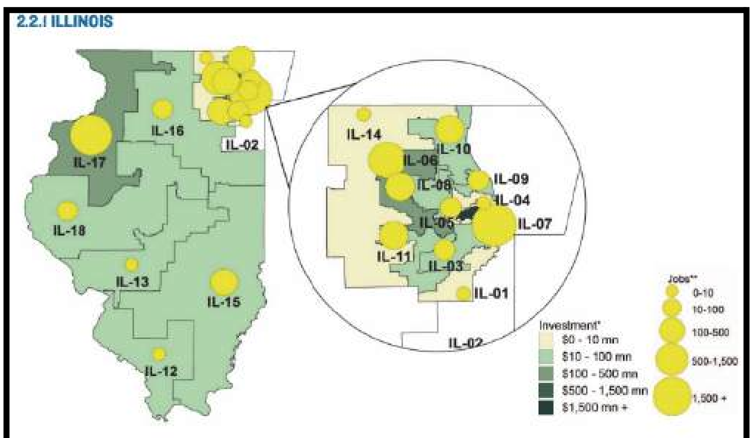
Building on the findings from Chapters I and II, this section employs a qualitative analysis to explore the relationships between foreign direct investment regulations and political partisanship across U.S. states in relation to Chinese FDI inflows. In combining insights, the section focuses on in-depth examinations of how different states balance the benefits of Chinese foreign investments with national and economic security concerns. The states selected, Illinois, Wisconsin, and Florida, represent a diverse spectrum of political orientations and regulatory environments. This detailed approach of analysis not only reinforces the correlations from the previous sections but also further considers likely causations in the observed trends. Finally, the section concludes with a synthesis of the key findings of all previous parts of the study, highlighting common themes, notable divergences, and their implications for lawmakers and investors.

The State of Illinois

- Political Alignment: **Strong Democratic (+8)**
- FDI Restriction Level: Minimal (1)
- 2020 Total FDI: $13.51 billion
- 2020 FDI per capita: $1,054.57

Illinois, with a political score of +8, represents a strong Democratic state that embodies the principles of minimal restrictions on FDI. The state's political landscape is dominated by a Democratic controlled governorship, state house, and state senate, coupled with a vote for Biden in the 2020 Presidential Election. Since the 1980s, the state has voted blue for every candidate with double-digit margins, solidifying the state's political alignment and a history of pursuing more permissive FDI policies (CNN, 2020). Facilitating their openness to investment, Illinois is centered as a strategic hub for commerce in the Midwest, with both state and local policies playing large roles in attracting Chinese FDI. With a field office in Shanghai, China is Illinois's largest trading partner, with $77.9 billion in trade that year alone- a 78.7% increase over the past decade (Orozco Toledano, Schulz, and Tan, 2025).

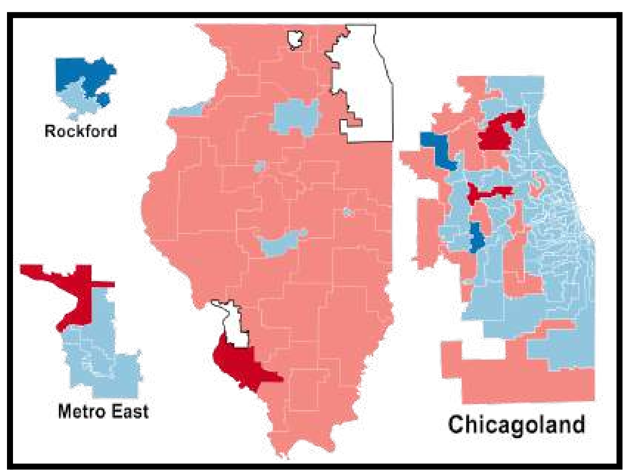
At the state level, Illinois leaders have worked to promote the state on a global stage as an attractive destination for investment. Unlike other states that impose complex FDI restrictions and compliance barriers, Illinois has worked to simplify the process of foreign investment, eliminating



Source: Rhodium Group. *Cumulative value of Chinese FDI transactions, 2000-2014. **Number of jobs provided by Chinese establishments as of 2014.

sector-specific bans or ownership caps on multinational corporations Illinois General Assembly, 2025). This commitment to maintaining an open climate for foreign investment with minimal restrictions has been well exemplified through the state’s strong, Democratic-controlled state government. Both the Illinois House (D: 78, R: 40) and Senate (D: 40, R: 19) are firmly held by a Democratic supermajority, reflecting a firm political landscape that has remained consistent for decades (Ballotpedia, 2025). This dominance is further reinforced by the leadership of Governor JB Pritzker, who secured the highest vote share of any Democratic governor in over 60 years, underscoring the state's pro-investment policies and political stability (Office of the Governor of Illinois, 2025).

At the legislative level, a number of Republican-introduced bills aimed at restricting foreign direct investment (FDI) have been denied passage. For instance, the Foreign Land Ownership and Foreign Countries of Concern Act sought to prohibit entities connected to the Chinese Communist Party (CCP) or located in China from owning or controlling agricultural land or real estate near military installations in Illinois (Illinois General Assembly, 2024). Similarly, House Bill 2930 aimed to repeal provisions that allowed noncitizens to acquire, hold, and dispose of real property in Illinois on the same terms as natural-born citizens, instead requiring that the state control noncitizen-owned estates upon their death (LegiScan, 2023).



However, one FDI-related bill that successfully became law is the Agricultural Foreign Investment Disclosure Act, which requires foreign entities holding interests in agricultural land to report their stakes to the Director of Agriculture (Illinois General

Assembly, 2025). These legislative outcomes highlight Illinois's Democrat-led agenda of maintaining minimal restrictions on foreign investment while rejecting attempts to impose unnecessary barriers, reflecting the state's broader political stance in favor of an open and investment-friendly environment.

Within the Governor's office, Democratic Governor JB Pritzker has worked to advance Illinois's appeal to foreign investors. Under his direction, the Illinois Department of Commerce and Economic Opportunity (DCEO), Illinois Finance Authority (IFA) and Illinois Department of Revenue (IDOR) have implemented a range of incentive programs, such as tax credits, grants and workforce training subsidies to attract FDI. The Economic Development for a Growing Economy (EDGE) program, Enterprise Zones and High Impact Business (HIB), and the Large Business Development Program (LBDP), for instance, collectively exemplify the state's executive approach in providing generous tax credits and grants to new businesses that commit to job creation and significant capital investments (Illinois Department of Commerce & Economic Opportunity, 2025). Moreover, the Business Development Public Infrastructure Program (BDPIP) incentivizes private-sector investment in local infrastructure projects through streamlined regulations and municipal cooperation (Biggins Lacy Shapiro & Co., 2025).

Enterprise Zone Financial Incentives						
	Illinois	Indiana	California	Connecticut	Florida	Texas
Corporate Income Tax Credit or Abatement	X	X	X	X	X	
State Individual Income Tax Credit or Refund*	X	X	X			
State Sales and Use Tax Credit or Exemption	X		X		X	X
State Utility Tax Exemptions	X					
State Insurance Premium Tax Credit						X
Local Property Tax Incentives	X	X	X	X		X

From these policies, Illinois has been able to secure a number of agreements and lucrative Chinese foreign investments. Uniquely, in 2013, the city of Chicago entered the 2013 Gateway

Cities Agreement, the first of its kind in establishing Chicago as a key hub for Chinese investment and trade. From this, Chicago has developed a very positive relationship with the CCP itself, helping to attract over 150 mainland Chinese companies and billions in FDI (Orozco Toledano, Schulz, and Tan, 2025). One case of economic success facilitated by this agreement was the construction of the CRRC Sifang America Chicago railcar manufacturing facility. Benefiting from streamlined regulations and construction aid, CRRC "revived local railcar production", creating hundreds of jobs and greatly boosting local economic development (Orozco Toledano, Schulz, and Tan, 2025).

Illinois's highly open investment climate for Chinese FDI has also recently faced significant criticism. In 2023, Governor Pritzker announced that the DCEO to award $536 million in taxpayer funds to the creation of an electric vehicle battery factory in Illinois. Gotion Inc, a U.S. subsidiary of China's Gotion High-tech Co. Ltd., is a corporation documented to have strong, direct ties with the CCP and its state-owned financial institutions (Sahakian, 2024). According to the Federal Bureau of Investigation (FBI), Gotion has become "an active participant of the 'Thousands Talent Program', a program that encourages theft of trade secrets and economic espionage" (Harper, 2023). Beyond concerns about foreign espionage, additional concerns regarding Illinois' support of Gotion came from the company's factories in the Xinjiang Province—an area the CCP and state-tied enterprises have been reported to exploit Uyghur Muslims in. These exploitations, among other

atrocities in the region, have been designated as a genocide by the U.S. federal government. Following an investigation into Gotion, Senate Intelligence Committee Chairman Marco Rubio and House Homeland Security Committee Chairman Mark Green announced that newly discovered information indicates Gotion is "directly linked to forced labor and involved in the ongoing genocide of Uyghurs and other predominantly Muslim ethnic groups" (Brooks, 2024). Following this alarming revelation, federal lawmakers introduced the No Official Giveaways Of Taxpayers' Income to Oppressive Nations (NO GOTION) Act, which would forbid CCP-affiliated companies from receiving green energy production tax credits (U.S. Congress, 2024). Intensifying the controversy, in 2024, then-candidate President Trump drew additional attention against Gotion by announcing his opposition to a proposed EV battery plant in Michigan, further polarizing Americans' opinions on Illinois' open investment policies and use of state incentives.

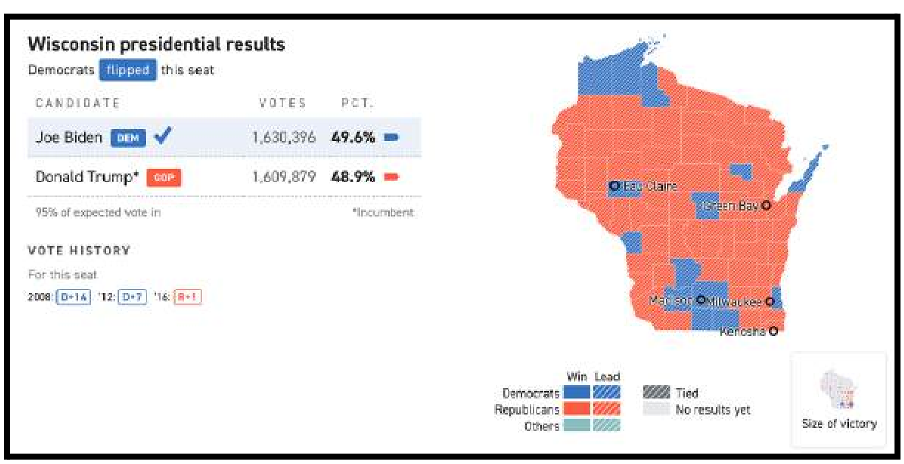
Outside of national security and human rights concerns, Gotion's arrival in Illinois sparked a different kind of controversy within local communities. The establishment of a $2 billion gigafactory, which promised thousands of new jobs, received strong support from major commercial conglomerates, such as the llinois Retail Merchants Association, the Chicagoland Chamber of Commerce, the Commonwealth Edison (ComEd) electrical company, and even the Northern Illinois Gas Company (Nicor) (Brooks, 2024). However, this enthusiasm was not shared universally. The Technology & Manufacturing Association (TMA), a group representing over 800 small and mid-sized manufacturing companies in the Midwest, reported that 74% of members strongly opposed the use of state incentives to attract the foreign firm (TMA News, 2023). Many workers expressed a feeling of betrayal, criticizing the hundreds of millions of their taxpayer dollars going to support an external company, with concerns that Gotion would additionally “poach employees from local businesses” (Brooks, 2024). This situation fueled protests across Illinois and Michigan against CCP influence, with Republican lawmakers tapping into their constituents’ concerns over growing Chinese economic interdependence and global power. At the peak of these tensions, in 2024, a group of Illinois residents filed a lawsuit against Gotion Inc., contesting the corporation's connections to the Chinese Communist Party, the use of state-funded incentives, and the potential national security risks associated with its gigafactory (No Gotion Illinois, 2024). Despite this pushback, as of March 2025, Gotion’s factory is nearing completion and is expected to open next year with significant contributions to Illinois’ clean energy and electric vehicle sector.

Illinois’s approach to attracting Chinese FDI illustrates why many Democratic-leaning states choose to implement minimal restrictions and support strategies to attract foreign investment. By prioritizing economic development over security concerns, the state has managed to secure significant foreign capital and job creation, resulting in higher total and per capita FDI inflows than most states. As such, Illinois demonstrates how lower regulatory barriers and the strong Democratic-leaning political system contribute to attracting Chinese foreign direct investment.

The State of Wisconsin

- Political Alignment: **Mixed/Moderate (0)**
- FDI Restriction Level: Selective (3)
- 2020 Total FDI: $4.76 billion
- 2020 FDI per Capita: $472.20

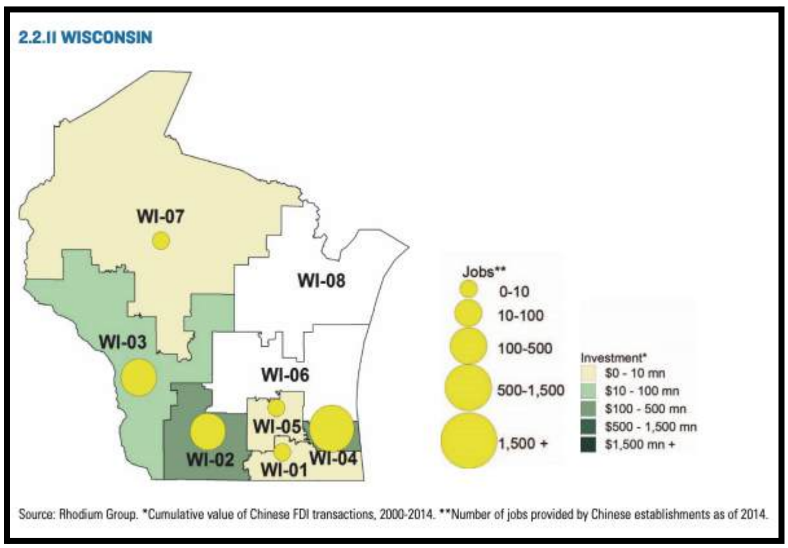
With a mixed/moderate political score of 0, the State of Wisconsin stands as a politically diverse state with selective restrictions on FDI. The state's political composition is strongly split between Republican and Democratic control. While Republicans have maintained control of both the House and Senate for well over a decade, the Governor's office remains in Democratic control, and President Biden narrowly won the 2020 election. This apparent balance with the state's ever-shifting political sentiments has made it a key battleground state in Presidential elections: both Biden in 2020 and Trump in 2024 won the state's electoral votes by just a 1% margin in popular vote (Ballotpedia, 2025). This divide in political beliefs has been illustrated in state FDI policies, with Wisconsin employing selective restrictions yet attracting a significant $4.7 billion in total FDI.



Overall, state-level politics in Wisconsin have been generally geared towards facilitating FDI while protecting certain sectors. In 1887, Wisconsin law (§710.02) was enacted, which limits the amount of land nonresident aliens and certain foreign corporations can own in the state (Wisconsin Legislature, 2025). However, in 1987, 1989, 1993, and 2013, this longstanding law has received a multitude of amendments clarifying provisions and enhancing restrictions to match the growing excessive foreign ownership, centralizing the state's emphasis on selective restrictions (Baker, 2023). In 2014, motivated by concerns over fairness and international compliance, the Wisconsin Legislature requested a legal review of the statute. The State Attorney General affirmed its continued validity, confirming that it aligns with the United States' obligations under the General Agreement on Trade in Services (GATS) and the fair trade standards set by the World Trade Organization (WTO) (Wisconsin Department of Justice, 2014).

Beyond the limitations imposed by Wisconsin law (§710.02), the state has passed a range of new legislation aimed at promoting FDI. The 2017 Wisconsin Act 1565 and the 2023 Wisconsin Act 98 represent two highlights of the state's interest in boosting attractiveness for FDI, adding incentives, and streamlining the investment process (Office of the Governor of Wisconsin, 2024). Furthermore, with an additional goal of job growth, the 2023 Wisconsin Act 19 mandates that all foreign venture capital investments be funneled through businesses headquartered in Wisconsin, promoting in-state employment and local prosperity. (Global Trade Alert, 2024). However, with a shifting political climate and growing concerns of Chinese economic dominance, a Republican led bill has recently been introduced aimed at prohibiting adversarial nations, like China, from agricultural land ownership. These lawmakers argue that "recent economic disruptions and skyrocketing inflation clearly demonstrate the need to localize supply chains…and eliminate our reliance based in — and scheming with — countries with hostile governments" (Moe, 2025). Though this Senate Bill has yet to be voted on, this may illustrate a possible shift in state priorities from economic growth to bolstering national security.

At the executive level, Governor Tony Evers, a Democrat, has worked to promote FDI-friendly policies throughout his term. Within his own capacity, Governor Evers has promoted Wisconsin as a prime location for FDI on numerous occasions, leading trade missions to Germany and France and participating in over 100 meetings at the SelectUSA Investment Summit to promote the state's economic potential (Wisconsin Economic Development Corporation, 2023). His administration has further advanced this agenda through utilizing the Wisconsin Economic Development Corporation (WEDC), a public-private agency designed to help bolster businesses and innovation through grants and assistance, to aid foreign corporations in their move to Wisconsin (WEDC, 2025). Through a more outward-pointed WEDC, $2.4 billion has been allocated to assist foreign investments, generating 170 FDI projects and thousands of new jobs from 2014 to 2024 (WEDC, 2024). Moreover, in May 2024, Governor Evers launched the Wisconsin Investment Fund, a $100 million public-private venture capital initiative to attract FDI across manufacturing, healthcare, bio-tech, and agriculture (WEDC, 2023). With a 10 to 1 private to public investment ratio, it is projected that this fund will bring well over $500 million in impact within its first few years alone (WEDC, 2024). Finally, similar to that of Illinois, the Governor's office offers



Source: Rhodium Group. *Cumulative value of Chinese FDI transactions, 2000-2014. **Number of jobs provided by Chinese establishments as of 2014.

generous Business Development Tax Credits and Enterprise Zones. The Business Development Tax Credits have notably been successful in attracting investment from a number of large multinational corporations such as Eli Lily, Kikkoman Foods, and Microsoft (Business Facilities, 2024).

With a split political system and implementation of FDI-affirmative policies, Wisconsin has successfully captured a moderately high amount of investments. Some headlines of Chinese FDI in Wisconsin were the $337.5 million purchase of Wisconsin-based Scientific Protein Labs by Shenzhen Hepalink Pharmaceutical, the expansion of the Racine manufacturing plant of DeltaHawk Engine, a jet engine start-up, and the financing of a 700-student dorm at UW-Milwaukee, aiding a public school lacking sufficient state support (Jin, 2023). Yet, within he realm of agriculture and land-ownership, Chinese investors own only 2.4% of farmland in the state, reflecting the impact of the state's sector-specific restrictions (Fannin, 2023). With a total FDI rank of 29 amongst all 50 states, Wisconsin's moderate political climate and regulatory environment

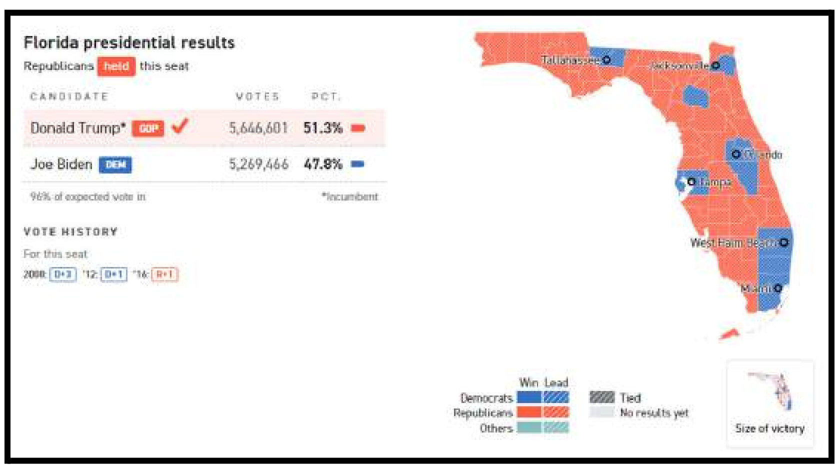
Amid a rise in anti-CCP rhetoric and fears of Chinese economic dominance, Wisconsin's FDI policies have come under increasing public scrutiny. The most prominent flashpoint was the highly controversial $10 billion Foxconn project, which initially received over $4.8 billion in state and local subsidies and tax breaks (Wisconsin Department of Natural Resources, 2025). Wisconsin residents quickly protested this due to the enormous scale of public subsidies to aid a private, foreign-owned enterprise. Furthermore, reports emerged that Foxconn planned to bring workers from China to Wisconsin, materializing fears that American workers may not be hired as initially promised (Isidore, 2018). While Foxconn is officially registered as a Taiwanese company, its extensive operations and capital investments in mainland China have made it deeply intertwined with Chinese markets and the Chinese government itself. Analysts and lawmakers have raised red flags over the company's track record of accommodating CCP interests to preserve access to crucial supply chains (He, 2023). In the context of growing national concerns about industrial espionage and foreign control over U.S. strategic industries, Foxconn's entanglements in China have cast doubt on the project's true beneficiaries and goals.

These events led to "Operation Shake the Ground", a bipartisan protest of landowners, lawmakers, and residents protesting the use of billions in funds to a foreign corporation rather than being better spent on education, infrastructure, or other public services. (Flores, 2018). Despite this opposition, several prominent Republicans, including President Trump and House Speaker Paul Ryan, backed the construction, arguing the factory would support American job creation. Following mounting public and legislative pressure, Foxconn renegotiated its agreement with Wisconsin in 2019 and again in 2021, dramatically reducing its planned investment from $10 billion to $672 million and scaling back its job commitment to just 1,454 positions (Sherman, 2021). This project, once hailed as a golden illustration of the benefits of Chinese-supported FDI projects in American states, quickly developed into a magnet of distrust, secrecy, and broken promises. Upon Governor Ever's ascension to power, he attempted to rectify much of the existing backlash by pledging greater accountability and caution in future foreign investment projects, especially with companies closely tied to China.

The State of Florida

- **Political Alignment: Strong Republican (-8)**
- **FDI Restriction Level:** High (4)
- **2020 FDI : $1,650,000**
- **FDI Per Capita: $76.58**

Florida, a deeply Republican-leaning state with a political score of -8, has spearheaded the movement of strong restrictions towards Chinese FDI. Despite having the third-largest population and fourth-largest economy in the U.S., Florida's total FDI intake is significantly smaller than other states of its size, with only $76.58 per capita FDI. For the past 25 years, the state's house, senate, and governor's office have been dominated by Republicans and their agenda (Ballotpedia, 2025). Floridian support for the party was further reinforced during the 2020 Presidential Election, with a ~400,000 vote lead in votes for President Trump (Ballotpedia, 2020). With this conservative dominance, the state's Chinese FDI policies have been some of the most cautious in the nation, greatly focusing on the threats of foreign influence, economic dominance, and national security over other opportunities.

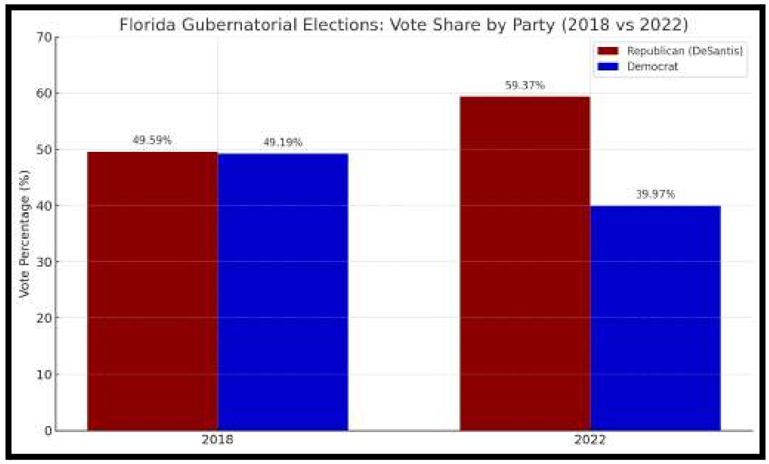


In the legislative sphere, a number of proposed and passed Florida laws have been introduced to restrict Chinese FDI in the state. Through sweeping legislation such as House Bill 7071, Senate Bill (SB) 846, and SB 258, Florida's legislature has made headlines for its broad and indiscriminate approach to restricting or mandating divestments from Chinese-affiliated entities across nearly every sector (Florida Senate, 2024). However, no anti-CCP piece of Florida legislative action has received nearly as much attention, controversy, or legal challenge as Senate Bill 264 has. SB 264 "restricts the issuance of government contracts or economic development incentives to, or real property ownership by, foreign principals…associated with foreign countries of concern… [such as] the People's Republic of China" (Florida Senate, 2023). In totality, SB 264 imposes a plethora of restrictions on Chinese investors and entities. Specifically, it prohibits Chinese investors from owning or holding land within 10 miles of military instillations or critical infrastructure, restricts Chinese residents to being able to purchase only one residential property (who presently has a U.S. visa), and requires Chinese investors who acquired property before the bill to immediately disclose all holdings (Barret, 2023). The bill additionally includes further provisions easing Florida's ability to force the forfeiture of Chinese-owned properties to the state and prohibits all state entities from issuing incentives or contracting with any Chinese-affiliated businesses or people (Alston & Bird, 2023). SB 264 passed in both the Florida Senate (31-8) and House (95-17) with supermajorities, illustrating the state legislature's focus on increasing its restrictive framework on Chinese FDI (Florida Senate, 2023).

Despite this strong legislative support, SB 264 has been subject to widespread criticism. Following the proposal of SB 264, the Florida Asian American Justice Alliance (FAAJA), American Civil Liberties Union (ACLU), and several other advocacy groups challenged the legality of the newly passed bill (Pollick, 2023). Representing Chinese immigrants residing in Florida, the joint lawsuit alleged that SB 264 was unconstitutional by violating the Equal Protection Clause under the 14th Amendment. The plaintiffs further claimed the State of Florida was "weaponizing false claims of 'national security' against Asian and other immigrants", lacking a keen state interest in the broad ban (ACLU, 2024). In federal district court, the FAAJA and ACLU's motion to block SB 264 while the case was pending trial was initially denied. However, upon appeal, the Eleventh Circuit court granted a partial preliminary injunction in favor of the plaintiffs, setting a significant legal blow to the State of Florida (Baker McKenzie, 2024). As of May 2025, this injunction has applied only to the affected plaintiffs of the case, not extending to others affected, as the state continues enforcing restrictions impacted by SB 264 (Barret, 2024).

Within the Governor's office, Republican Governor Ron DeSantis has directed the state's executive office to focus on countering CCP influence, strongly advocating for the need to prioritize national security interests over economic growth opportunities. In September 2022, Governor DeSantis issued Executive Order 22-216 (Strengthening Florida Cyber Security Against Foreign Adversaries), which "prohibits government entities from procuring technology products and services from companies owned by, controlled by, or domiciled in foreign countries of concern" (Office of Governor Ron DeSantis, 2022). In doing so, DeSantis pioneered one of the earliest and most comprehensive state-level plans to cut procurement ties with Chinese-owned tech firms, setting a precedent for other conservative-leaning states, such as

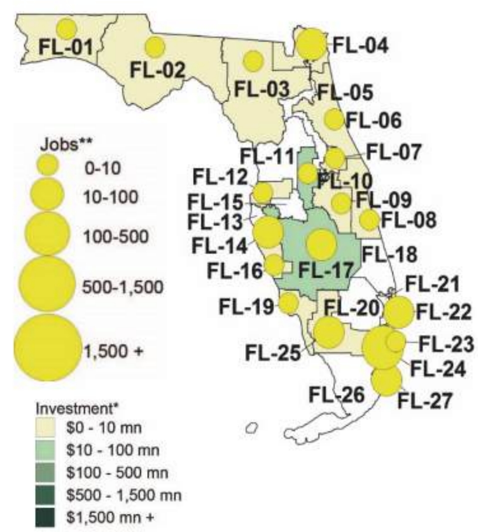
Georgia, a year later, to similarly outright ban Chinese technology from state contracts (China Tech Threat, 2024). On his own accord, Governor DeSantis has promulgated a wave of anti-CCP sentiments, publicly stating “Florida is taking action to stand against the United States’ greatest geopolitical threat - the Chinese Community Party… [who] are not welcome in the state of Florida” (Office of Governor Ron DeSantis, 2023). Strong statements such as these, though met with criticisms, have reinforced DeSantis’ image as a hardline, populist candidate. His political appeal grew exponentially, from winning the governorship in 2018 by 0.4% to 19.4% in 2022, amounting to the largest gubernatorial victory in Florida in 1982 (McCammon, 2022). Coasting a clear approval for anti-Chinese FDI stance, during the 2023 Republican Presidential Debate, DeSantis argued that through supporting Chinese investments “some people in our country got rich [while] our industrial base got hollowed out, and they have been able to build the second most powerful military in the world” (DeSantis Campaign, 2023). Doubling down on his policy views, DeSantis further advocated that “I banned the CCP from buying land in our state…we should do that across all these United States…we’re going to have economic independence from China when we’re decoupling our economy” (DeSantis Campaign, 2023). DeSantis’ promises against Chinese investment, should he have become U.S. President, echoed well beyond the Americans watching the debates, as Chinese investors and government officials took note of the repeated rash “boogeyman” narrative against China (Sainato, 2023).



Contrary to his anti-Chinese rhetoric, Governor DeSantis has quietly directed the state of Florida to attract Chinese investment. Within his responsibilities as governor, DeSantis has been the chair of Select Florida, a public-private developmental organization to diversify the state's economy. In this role, Select Florida increasingly engaged in a spread of pro-Chinese FDI tactics to attract investors, from attending international trade shows, reaching out to individual Chinese investors, and having an office located in China (Haley Campaign, 2023). As DeSantis approached his 2023 campaign for the Republican presidential nomination, his team allegedly worked to scrub the internet of any evidence linking him to business ties with Chinese corporations to avoid appearing sympathetic to the Chinese Communist Party (Sun Sentinel Editorial Board, 2023). Investigating her opponents for political ammunition, fellow Republican contender Nikki Haley, discovered this history and began launching ads highlighting DeSantis' past history in attracting Chinese FDI (Fite, 2024). Of the numerous documents recovered, Halley's campaign discovered a 2019-2020 Select Florida annual report, which outlined goals to "position Florida as an ideal business destination for Chinese companies… [the] overarching goal was to refresh Florida's 'economic pitch' in China" (Enterprise Florida, 2020). Ironically, the same anti-China fear-mongering purported by DeSantis backfired in scrutiny of his own record with JinkoSolar, a Chinese energy company. From 2019 to 2022, JinkoSolar, under repeated approval of DeSantis' administration, received hundreds of thousands in state tax credits to attract their investments to Florida

(Sun Sentinel Editorial Board, 2023). However, upon federal investigation, JinkoSolar was raided by the Department of Homeland Security for allegedly violating the Uyghur Forced Labor Prevention Act, unleashing internal criticism within the Republican Party (Shu, 2023). Then, Republican Senator Marco Rubio commented that "the federal investigation of JinkoSolar is a welcome and long-overdue step toward cracking down on these companies…[and is] a sign the US must decouple from Chinese [investment]" (Rubio, 2023).

2.3.2 FLORIDA



Source: Rhodium Group. *Cumulative value of Chinese FDI transactions, 2000-2014. **Number of jobs provided by Chinese establishments as of 2014.

The increasingly hostile regulatory environment and continued rise of anti-Chinese rhetoric have had a clear impact on Chinese FDI inflows to Florida. Florida ranks amongst the lowest U.S. states in per-capita Chinese FDI investments, attracting around only $50 million annually (Hanemann and Lysenko, 2015). To Chinese international firms, individual investors, and venture capital groups, investing in states such as Florida presents great risk. For example, in 2014, the Beijing Construction Engineering Group (BCEG) had an ambitious plan to develop a $1.2 billion, 94-acre wholesale merchandise mart in Osceola County, Florida (Anderson, 2012). Despite initial approval and marketing, the project collapsed due to backlash against Chinese investments in the U.S., fueled largely by international condemnation of the Chinese Communist Party's human rights violations in Xinjiang, Tibet, and its suppression of the 2014 Hong Kong pro-democracy protest (BBC Newsround, 2019). Thus, the political posturing and choice of harsher regulations underscore how state-level policies can significantly shape Chinese FDI inflows.

Conclusion

This research paper examines the complex elements influencing Chinese foreign direct investment (FDI) in the United States, with a specific focus on the roles of state-level regulatory environments and political partisanship. Through utilizing a mixed-method approach, of coalescing quantitative analysis with qualitative case studies, the study illuminates significant insights into how individual U.S. states uniquely influence the flow of Chinese FDI: a lens often overshadowed by greater attention to the impact of federal institutions.

In chapter 1, quantitative analysis of regulatory scrutiny levels revealed a statistically inverse relationship between a state's regulatory restrictiveness and Chinese FDI inflows. An observable trend was illustrated, where states with greater investment barriers received lower levels of investment from Chinese sources. In alignment with the hypothesis, chapter 1 displays how harsher regulations have a statistically measurable impact in deterring Chinese investment. The case studies of regulatory outliers—Virginia, California, Kentucky, and Texas—shed further light on why certain states diverge from their predicted investment values. These states demonstrate the rare instances where Chinese investment remained above the mean for a variety of reasons, such as generous economic incentives, geography or special industry opportunities.

Chapter 2 followed in examining the inverse relationship between state-level political partisanship and Chinese FDI regulatory scrutiny. Using the same statistical testing as the previous chapter, the study shows a correlation between political leanings and restrictiveness, as Republican-leaning states tended to implement harder FDI barriers compared to their Democratic counterparts. This finding supports Chapter 2's hypothesis that states with more conservative political leanings tend to have stricter FDI policies, which inturn, correlates to lower levels of Chinese foreign investment. The outlier cases of Utah, Pennsylvania, and Hawaii offer insight as to why some states deviate from expected partisan-regulatory trends, highlighting the impactful role that culture, public sentiment and local values has in shaping policies away from general party-line actions.

Combining the findings in Chapter 1 and 2, the study transitioned from a primarily quantitative emphasis to a more comprehensive qualitative analysis of states aligned closely with the observed trends. Illinois, Wisconsin and Florida were selected for in-depth research and analysis of how each state's regulatory environment and political leanings influenced levels of Chinese foreign investment. Illinois exemplifies a strongly Democratic state actively promoting its markets for Chinese investments by offering a variety of lucrative incentives and avoiding restrictive legislation that could deter Chinese investors. Wisconsin illustrates a politically mixed landscape with selective restrictions, choosing to balance economic opportunity and growth with moderate and sector-specific regulations. Florida, by contrast, exemplifies a conservative state's commitment to prioritizing national security concerns, enacting targeted laws designed to curb Chinese economic influence within the state.

In totality, this research demonstrates the critical role state-level dynamics play in shaping foreign investments climates. Policymakers must carefully weigh the benefits of economic globalization against fears of economic dependency and national security concerns. For oversea investors, understanding each state's political and regulatory environment is crucial for strategic decisions. Lookward forward, future research should continue to explore recent shifts in state-level regulations and political leanings, as well as investigate how other geographically adversarial nations, such as Russia and Iran, are treated across different states in their attempts to pursue foreign investment in the United States.

Appendices

List of Abbreviations

Abbreviation	Full Term / Agency / Program
BEA	Bureau of Economic Analysis
BGR	BGR Analytics (U.S. research consultancy)
CCP	Chinese Communist Party
CFIUS	Committee on Foreign Investment in the United States
CNN	Cable News Network
COF	Commonwealth's Opportunity Fund (Virginia)
CSR	Corporate Social Responsibility
DCEO	Illinois Department of Commerce and Economic Opportunity
DCED	Pennsylvania Department of Community & Economic Development
DATCP	Wisconsin Department of Agriculture, Trade & Consumer Protection
DPRK	Democratic People's Republic of Korea (North Korea)
EB-5	U.S. Immigrant Investor Visa Program (Employment-Based 5th Preference)
EDGE	Economic Development for a Growing Economy (Illinois tax-credit program)
EO	Executive Order
FBI	Federal Bureau of Investigation
FDI	Foreign Direct Investment

GDP	Gross Domestic Product
GO-Biz	Governor’s Office of Business & Economic Development (California)
GOEO	Governor’s Office of Economic Opportunity (Utah)
HB	House Bill
HIB	High Impact Business Program (Illinois)
IBM	International Business Machines Corporation
IFA	Illinois Finance Authority
IRB	Industrial Revenue Bond
ITAR	International Traffic in Arms Regulations
KBI	Kentucky Business Investment Program
KEIA	Kentucky Enterprise Initiative Act
KRA	Kentucky Reinvestment Act
M&A	Merger and Acquisition
MOU	Memorandum of Understanding
NDAA	National Defense Authorization Act (U.S. annual defense bill)
NPR	National Public Radio
PRC	People’s Republic of China
SB	Senate Bill (state legislation)
SEC	U.S. Securities and Exchange Commission
TMA	Technology & Manufacturing Association (Midwest, U.S.)
U.S.	United States
USDA	United States Department of Agriculture
USCC	U.S.–China Economic & Security Review Commission

USTR	Office of the U.S. Trade Representative
VC	Venture Capital
VEDIG	Virginia Economic Development Incentive Grant
VIP	Virginia Investment Partnership Grant
WBC	World Business Chicago
WEDC	Wisconsin Economic Development Corporation
WTO	World Trade Organization

List of Relevant Laws Mentioned

Law / Jurisdiction / Year	Description
Agricultural Foreign Investment Disclosure Act (AFIDA) – Federal (U.S.) – 1978	Compels foreign persons/entities to report U.S. agricultural land purchases to the USDA.
Foreign Investment Risk Review Modernization Act (FIRRMA) – Federal (U.S.) – 2018	Expands CFIUS power over minority stakes and real estate near sensitive sites.
Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022	Offers $53B to U.S. chip makers; prohibits expansion in China by grant recipients.
Executive Order 14105 – Federal (U.S.) – 2023	Prohibits outbound investment in China-linked AI, quantum, and chip firms.
“NO GOTION Act” – Federal (U.S.) – 2024 (proposed)	Would restrict green-energy credits for PRC-affiliated firms.
Act 636 – Arkansas – 2023	Prohibits foreign adversaries from holding farmland; enforced against Syngenta.

Executive Order 22-216 – Florida – 2022	Prohibits state IT contracts with Chinese-linked tech providers.
Senate Bill 264 – Florida – 2023	Bans Chinese nationals from owning land near military facilities.
Senate Bill 846 – Florida – 2023	Prohibits partnerships between Florida universities and PRC institutions.
House Bill 7071 – Florida – 2024	Requires the state to divest from PRC-controlled companies.
Senate Bill 346 – Georgia – 2022	Bans adversarial nation-linked companies from Georgia state procurement.
Senate Bill 420 – Georgia – 2024	Bars agents of China and other adversaries from buying land near bases.
House Bill 929 – Hawaii – 2023	Prohibits foreign entities from owning land near federal facilities.
Senate Bill 1 – Hawaii – 2024	Bans ITAR-linked entities from owning agricultural land.
Senate Bill 242 – Hawaii – 2024	Caps acreage held by foreign investors; requires annual disclosures.
Senate Bill 206 – Hawaii – 2025 (draft)	Proposes a ban on residential real estate purchases by non-resident aliens.
Senate Bill 2617 – Hawaii – 2025	Orders a study of other states' foreign land ownership laws.
House Bill 1162 – Illinois – 2025 (pending)	Would ban PRC-linked entities from buying Illinois land.
House Bill 575 – Kentucky – 2023	Prohibits nonresident aliens and foreign businesses from acquiring agricultural land.
Senate Bill 641 – Oregon – 2025	Voids land purchases or leases by Chinese firms or PRC agents.
Agricultural Land Acquisition Law – Pennsylvania – 1980	Limits foreign ownership of farmland to 100 acres; mandates forfeiture.

Senate Bill 147 – Texas – 2023 (pending)	Seeks to prohibit property purchases by Chinese and other foreign adversaries.
Restrictions on Foreign Acquisitions Act – Utah – 2023	Requires divestment of land by foreign adversaries (PRC, DPRK, etc.).
House Bill 516 – Utah – 2024	Creates enforcement procedures for forced divestment of restricted entities.
House Bill 430 – Utah – 2025 (pending)	Expands the list of restricted parties to those 51%+ PRC-owned.
Alien Ownership Law – Wisconsin – 1887 (amended 2013)	Limits foreign farmland at 640 acres; mandates disclosures.
Act 156 – Wisconsin – 2017	Cuts filing fees but increases foreign corporate transparency in business filings.
Act 19 – Wisconsin – 2023	Establishes WI Investment Fund; foreign VC must co-invest via local partner.
Act 98 – Wisconsin – 2023	Mandates WI-based VC firms manage public venture dollars to be local.

Tables

State-Level Foreign Direct Investment and Per Capita Allocation (2010–2020)

State	Total FDI (USD)	Per-Capita Calculations	Per-Capita FDI
Alabama	$457,600,000.00	457,600,000 ÷ 5,024,279	$91.08
Alaska	$50,000,000.00	50,000,000 ÷ 733,391	$68.18

Arizona	$1,010,000,000.00	1,010,000,000 ÷ 7,151,502	$141.23
Arkansas	$50,000,000.00	50,000,000 ÷ 3,011,524	$16.60
California	$36,430,000,000.00	36,430,000,000 ÷ 39,538,223	$921.39
Colorado	$1,920,000,000.00	1,920,000,000 ÷ 5,773,714	$332.54
Connecticut	$213,080,000.00	213,080,000 ÷ 3,605,944	$59.09
Delaware	$720,100,000.00	720,100,000 ÷ 989,948	$727.41
Florida	$1,640,000,000.00	1,640,000,000 ÷ 21,538,187	$76.14
Georgia	$4,040,000,000.00	4,040,000,000 ÷ 10,711,908	$377.15
Hawaii	$50,000,000.00	50,000,000 ÷ 1,455,271	$34.36
Idaho	$50,000,000.00	50,000,000 ÷ 1,839,106	$27.19
Illinois	$14,130,000,000.00	14,130,000,000 ÷ 12,812,508	$1,102.83
Indiana	$336,350,000.00	336,350,000 ÷ 6,785,528	$49.57
Iowa	$298,650,000.00	298,650,000 ÷ 3,190,369	$93.61
Kansas	$1,730,000,000.00	1,730,000,000 ÷ 2,937,880	$588.86
Kentucky	$9,460,000,000.00	9,460,000,000 ÷ 4,505,836	$2,099.50
Louisiana	$908,500,000.00	908,500,000 ÷ 4,657,757	$195.05
Maine	$348,240,000.00	348,240,000 ÷ 1,362,359	$255.62
Maryland	$538,460,000.00	538,460,000 ÷ 6,177,224	$87.17
Massachusetts	$6,090,000,000.00	6,090,000,000 ÷ 7,029,917	$866.30
Michigan	$4,700,000,000.00	4,700,000,000 ÷ 10,077,331	$466.39

Minnesota	$2,670,000,000.00	2,670,000,000 ÷ 5,706,494	$467.89
Mississippi	$60,000,000.00	60,000,000 ÷ 2,961,279	$20.26
Missouri	$402,000,000.00	402,000,000 ÷ 6,154,913	$65.31
Montana	$50,000,000.00	50,000,000 ÷ 1,084,225	$46.12
Nebraska	$65,800,000.00	65,800,000 ÷ 1,961,504	$33.55
Nevada	$557,090,000.00	557,090,000 ÷ 3,104,614	$179.44
New Hampshire	$174,460,000.00	174,460,000 ÷ 1,377,529	$126.65
New Jersey	$1,460,000,000.00	1,460,000,000 ÷ 9,288,994	$157.18
New Mexico	$150,000,000.00	150,000,000 ÷ 2,117,522	$70.84
New York	$32,520,000,000.00	32,520,000,000 ÷ 20,201,249	$1,609.80
North Carolina	$1,360,000,000.00	1,360,000,000 ÷ 10,439,388	$130.28
North Dakota	$50,000,000.00	50,000,000 ÷ 779,094	$64.18
Ohio	$1,680,000,000.00	1,680,000,000 ÷ 11,799,448	$142.38
Oklahoma	$3,670,000,000.00	3,670,000,000 ÷ 3,959,353	$926.92
Oregon	$324,260,000.00	324,260,000 ÷ 4,237,256	$76.53
Pennsylvania	$3,090,000,000.00	3,090,000,000 ÷ 13,002,700	$237.64
Rhode Island	$57,000,000.00	57,000,000 ÷ 1,097,379	$51.94
South Carolina	$3,340,000,000.00	3,340,000,000 ÷ 5,118,425	$652.54
South Dakota	$50,000,000.00	50,000,000 ÷ 886,667	$56.39
Tennessee	$1,910,000,000.00	1,910,000,000 ÷ 6,910,840	$276.38

Texas	$8,800,000,000.00	8,800,000,000 ÷ 29,145,505	$301.93
Utah	$102,110,000.00	102,110,000 ÷ 3,271,616	$31.21
Vermont	$50,000,000.00	50,000,000 ÷ 643,077	$77.75
Virginia	$15,480,000,000.00	15,480,000,000 ÷ 8,631,393	$1,793.45
Washington	$2,110,000,000.00	2,109,999,999 ÷ 7,705,281	$273.84
West Virginia	$67,000,000.00	67,000,000 ÷ 1,793,716	$37.35
Wisconsin	$555,620,000.00	555,620,000 ÷ 5,893,718	$94.27
Wyoming	$635,000,000.00	635,000,000 ÷ 576,851	$1,100.80

FDI Restriction Levels and Investment Outcomes by U.S. State (2010–2020)

State	**Restriction Level**	**2010-2020 FDI (USD)**	**FDI per Capita(USD)**
Alabama	3 (Selective)	3,330,000,000	$662.57
Alaska	4 (High)	50,000,000	$68.19
Arizona	3 (Selective)	940,790,000	$131.56
Arkansas	4 (High)	50,000,000	$16.60
California	2 (Transparent)	32,990,000,000	$834.63
Colorado	3 (Selective)	1,920,000,000	$332.49
Connecticut	2 (Transpar.)	201,860,000	$55.98
Delaware	1 (Minimal)	195,600,000	$197.58
Florida	4 (High)	1,650,000,000	$76.58

Georgia	3 (Selective)	4,040,000,000	$377.09
Hawaii	4 (High)	1,020,000,000	$700.52
Idaho	4 (High)	50,000,000	$27.20
Illinois	1 (Minimal)	13,510,000,000	$1,054.57
Indiana	4 (High)	309,150,000	$45.56
Iowa	4 (High)	297,150,000	$93.12
Kansas	3 (Selective)	1,730,000,000	$589.02
Kentucky	3 (Selective)	9,290,000,000	$2,061.77
Louisiana	3 (Selective)	243,730,000	$52.32
Maine	2 (Transparent.)	50,000,000	$36.70
Maryland	2 (Transparent)	509,460,000	$82.47
Massachusetts	2 (Transparent)	5,480,000,000	$779.27
Michigan	3 (Selective)	4,760,000,000	$472.20
Minnesota	3 (Selective)	2,830,000,000	$496.05
Mississippi	4 (High)	60,000,000	$20.26
Missouri	4 (High)	375,250,000	$60.96
Montana	1 (Minimal)	50,000,000	$46.10
Nebraska	4 (High)	65,800,000	$33.55
Nevada	1 (Minimal)	486,590,000	$156.77
New Hampshire	1 (Minimal)	230,460,000	$167.28
New Jersey	2 (Transpar.)	1,100,000,000	$118.46
New Mexico	2 (Transparent)	150,000,000	$70.85
New York	2 (Transparent)	33,380,000,000	$1,652.62

North Carolina	2 (Transparent)	1,330,000,000	$127.36
North Dakota	4 (High)	50,000,000	$64.21
Ohio	4 (High)	1,320,000,000	$111.87
Oklahoma	3 (Selective)	3,760,000,000	$949.28
Oregon	4 (High)	381,610,000	$90.08
Pennsylvania	1 (Minimal)	911,110,000	$70.09
Rhode Island	2 (Transparent)	58,000,000	$52.83
South Carolina	3 (Selective)	2,910,000,000	$568.62
South Dakota	4 (High)	50,000,000	$56.39
Tennessee	3 (Selective)	1,440,000,000	$208.32
Texas	4 (High)	8,930,000,000	$306.23
Utah	1 (Minimal)	1,021,100,000	$312.37
Vermont	2 (Transparent)	50,000,000	$77.73
Virginia	1 (Minimal)	15,460,000,000	$1,791.99
Washington	1 (Minimal)	2,200,000,000	$285.66
West Virginia	1 (Minimal)	50,000,000	$27.87
Wisconsin	4 (High)	473,620,000	$80.39
Wyoming	3 (Selective)	635,000,000	$1,100.84

State-by-State Political-Leaning Scores (2020)

State	Governor	State House	State Senate	Pres. 2020	Sum	Classification
Alabama	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Alaska	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Arizona	R (–2)	R (–2)	R (–2)	Biden (+2)	–4	Lean Republican
Arkansas	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
California	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Colorado	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Connecticut	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Delaware	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Florida	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Georgia	R (–2)	R (–2)	R (–2)	Biden (+2)	–4	Lean Republican
Hawaii	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Idaho	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Illinois	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Indiana	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Iowa	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican

Kansas	D (+2)	R (–2)	R (–2)	Trump (–2)	–4	Lean Republican
Kentucky	D (+2)	R (–2)	R (–2)	Trump (–2)	–4	Lean Republican
Louisiana	D (+2)	R (–2)	R (–2)	Trump (–2)	–4	Lean Republican
Maine	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Maryland	R (–2)	D (+2)	D (+2)	Biden (+2)	4	Lean Democratic
Massachusetts	R (–2)	D (+2)	D (+2)	Biden (+2)	4	Lean Democratic
Michigan	D (+2)	R (–2)	R (–2)	Biden (+2)	0	Mixed/Moderate
Minnesota	D (+2)	D (+2)	R (–2)	Biden (+2)	4	Lean Democratic
Mississippi	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Missouri	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Montana	D (+2)	R (–2)	R (–2)	Trump (–2)	–4	Lean Republican
Nebraska	R (–2)	— (–2)**	— (single leg.)	Trump (–2)	–6	Strong Republican
Nevada	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
New Hampshire	R (–2)	R (–2)	R (–2)	Biden (+2)	–4	Lean Republican
New Jersey	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
New Mexico	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
New York	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
North Carolina	D (+2)	R (–2)	R (–2)	Trump (–2)	–4	Lean Republican
North Dakota	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican

Ohio	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Oklahoma	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Oregon	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Pennsylvania	D (+2)	R (–2)	R (–2)	Biden (+2)	0	Mixed/Moderate
Rhode Island	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
South Carolina	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
South Dakota	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Tennessee	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Texas	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Utah	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Vermont	R (–2)	D (+2)	D (+2)	Biden (+2)	4	Lean Democratic
Virginia	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
Washington	D (+2)	D (+2)	D (+2)	Biden (+2)	8	Strong Democratic
West Virginia	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong Republican
Wisconsin	D (+2)	R (–2)	R (–2)	Biden (+2)	0	Mixed/Moderate
Wyoming	R (–2)	R (–2)	R (–2)	Trump (–2)	–8	Strong

Chapter I Outliers

State	Restriction Level	FDI (USD, millions)	FDI Tier (1–5)	Predicted FDI (USD, millions)	Residual (Observed - Predicted)	Std. Residual (Z-score)	Practical Outlier
Alabama	3	457.6	2	457.85	-0.25	-0.14	No
Alaska	4	50.0	1	52.09	-2.09	-1.12	No
Arizona	3	1010.0	3	1009.46	0.54	0.29	No
Arkansas	4	50.0	1	52.09	-2.09	-1.12	No
California	2	36430.0	5	36426.25	3.75	2.0	Yes
Colorado	3	1920.0	3	1918.82	1.18	0.63	No
Connecticut	2	213.08	2	214.47	-1.39	-0.74	No
Delaware	1	720.1	3	720.65	-0.55	-0.29	No
Florida	4	1640.0	3	1638.6	1.4	0.75	No
Georgia	3	4040.0	4	4038.08	1.92	1.03	No
Hawaii	4	50.0	1	52.09	-2.09	-1.12	No
Idaho	4	50.0	1	52.09	-2.09	-1.12	No
Illinois	1	14130.0	5	14127.57	2.43	1.3	No
Indiana	4	336.35	2	336.54	-0.19	-0.1	No
Iowa	4	298.65	2	298.96	-0.31	-0.16	No
Kansas	3	1730.0	3	1728.92	1.08	0.57	No

Kentucky	3	9460.0	4	9457.22	2.78	1.48	No
Louisiana	3	908.5	3	908.07	0.43	0.23	No
Maine	2	348.24	2	349.14	-0.9	-0.48	No
Maryland	2	538.46	3	538.92	-0.46	-0.25	No
Massachusetts	2	6090.0	4	6088.04	1.96	1.05	No
Michigan	3	4700.0	4	4697.92	2.08	1.11	No
Minnesota	3	2670.0	4	2668.49	1.51	0.81	No
Mississippi	4	60.0	1	61.91	-1.91	-1.02	No
Missouri	4	402.0	2	402.01	-0.01	-0.01	No
Montana	1	50.0	1	53.21	-3.21	-1.71	Yes
Nebraska	4	65.8	1	67.62	-1.82	-0.97	No
Nevada	1	557.09	3	557.89	-0.8	-0.43	No
New Hampshire	1	174.46	2	176.42	-1.96	-1.05	No
New Jersey	2	1460.0	3	1459.47	0.53	0.28	No
New Mexico	2	150.0	2	151.74	-1.74	-0.93	No
New York	2	32520.0	5	32516.36	3.64	1.94	Yes
North Carolina	2	1360.0	3	1359.54	0.46	0.25	No
North Dakota	4	50.0	1	52.09	-2.09	-1.12	No

Ohio	4	1680.0	3	1678.58	1.42	0.76	No
Oklahoma	3	3670.0	4	3668.17	1.83	0.98	No
Oregon	4	324.26	2	324.48	-0.22	-0.12	No
Pennsylvania	1	3090.0	4	3089.09	0.91	0.49	No
Rhode Island	2	57.0	1	59.71	-2.71	-1.45	No
South Carolina	3	3340.0	4	3338.27	1.73	0.93	No
South Dakota	4	50.0	1	52.09	-2.09	-1.12	No
Tennessee	3	1910.0	3	1908.82	1.18	0.63	No
Texas	4	8800.0	4	8796.92	3.08	1.64	Yes
Utah	1	102.11	2	104.61	-2.5	-1.33	No
Vermont	2	50.0	1	52.84	-2.84	-1.52	Yes
Virginia	1	15480.0	5	15477.48	2.52	1.35	No
Washington	1	2110.0	4	2109.47	0.53	0.28	No
West Virginia	1	67.0	1	69.92	-2.92	-1.56	Yes
Wisconsin	4	555.62	3	555.31	0.31	0.17	No
Wyoming	3	635.0	3	634.93	0.07	0.04	No

Chapter II Outliers

State	Political Score	Restriction Level	Predicted Restriction Level	Residual (Observed - Predicted)	Std.Residual (Z-score)	Practical Outlier
Alabama	-8	3	3.284710616963950	-0.28471061696395100	-0.29	No
Alaska	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Arizona	-4	3	2.946727601377850	0.05327239862214790	0.06	No
Arkansas	-8	4	3.284710616963950	0.7152893830360490	0.74	No
California	8	2	1.932778554619560	0.06722144538044410	0.07	No
Colorado	8	3	1.932778554619560	1.067221445380440	1.1	No
Connecticut	8	2	1.932778554619560	0.06722144538044410	0.07	No
Delaware	8	1	1.932778554619560	-0.9327785546195560	-0.97	No
Florida	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Georgia	-4	3	2.946727601377850	0.05327239862214790	0.06	No
Hawaii	8	4	1.932778554619560	2.067221445380440	2.14	Yes
Idaho	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Illinois	8	1	1.932778554619560	-0.9327785546195560	-0.97	No
Indiana	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Iowa	-8	4	3.284710616963950	0.7152893830360490	0.74	No

Kansas	-4	3	2.946727601377850	0.05327239862214790	0.06	No
Kentucky	-4	3	2.946727601377850	0.05327239862214790	0.06	No
Louisiana	-4	3	2.946727601377850	0.05327239862214790	0.06	No
Maine	8	2	1.932778554619560	0.06722144538044410	0.07	No
Maryland	4	2	2.270761570205660	-0.27076157020565500	-0.28	No
Massachusetts	4	2	2.270761570205660	-0.27076157020565500	-0.28	No
Michigan	0	3	2.6087445857917500	0.3912554142082470	0.4	No
Minnesota	4	3	2.270761570205660	0.7292384297943450	0.75	No
Mississippi	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Missouri	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Montana	-4	1	2.946727601377850	-1.946727601377850	-2.01	Yes
Nebraska	-6	4	3.1157191091709000	0.8842808908290980	0.92	No
Nevada	8	1	1.932778554619560	-0.9327785546195560	-0.97	No
New Hampshire	-4	1	2.946727601377850	-1.946727601377850	-2.01	Yes
New Jersey	8	2	1.932778554619560	0.06722144538044410	0.07	No
New Mexico	8	2	1.932778554619560	0.06722144538044410	0.07	No
New York	8	2	1.932778554619560	0.06722144538044410	0.07	No
North Carolina	-4	2	2.946727601377850	-0.9467276013778520	-0.98	No

North Dakota	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Ohio	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Oklahoma	-8	3	3.284710616963950	-0.28471061696395100	-0.29	No
Oregon	8	4	1.932778554619560	2.067221445380440	2.14	Yes
Pennsylvania	0	1	2.6087445857917500	-1.6087445857917500	-1.66	Yes
Rhode Island	8	2	1.932778554619560	0.06722144538044410	0.07	No
South Carolina	-8	3	3.284710616963950	-0.28471061696395100	-0.29	No
South Dakota	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Tennessee	-8	3	3.284710616963950	-0.28471061696395100	-0.29	No
Texas	-8	4	3.284710616963950	0.7152893830360490	0.74	No
Utah	-8	1	3.284710616963950	-2.284710616963950	-2.36	Yes
Vermont	4	2	2.270761570205660	-0.27076157020565500	-0.28	No
Virginia	8	1	1.932778554619560	-0.9327785546195560	-0.97	No
Washington	8	1	1.932778554619560	-0.9327785546195560	-0.97	No
West Virginia	-8	1	3.284710616963950	-2.284710616963950	-2.36	Yes
Wisconsin	0	4	2.6087445857917500	1.3912554142082500	1.44	No
Wyoming	-8	3	3.284710616963950	-0.28471061696395100	-0.29	No

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