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Words vs. actions: International variation in the propensity to fulfil investment pledges in China

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International variation in the propensity to fulfil investment pledges in China**

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**ABSTRACT**

We examine whether companies from certain countries are more likely to fulfil investment pledges. Using data on contracted and utilized FDI in China, we find that firms fulfil an average of 59% of their pledges within two years. The propensity to fulfil pledges is lower for firms from countries with greater uncertainty avoidance, power distance, and egalitarianism; higher if the source country is more traditional; and is unaffected by popular attitudes towards China. Prior literature has found that these cultural characteristics are associated with higher levels of utilized FDI. We extend this to show that announcements of planned corporate activity may be more reliable for firms from countries with certain cultures.

JEL Code: F21, F23, G18, G31, Z13

Keywords: foreign direct investment (FDI); China; culture; institutions; policy

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