**Cultural Diversity and Foreign Direct Investment: Evidence from China**

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**Abstract:** In this paper, we first derive hypotheses from a theoretic model to explore the relationship between cultural diversity and FDI. We then test these hypotheses by applying econometric methods to a dataset of 230 Chinese cities covering the period of 2000-2014. We found that cultural diversity plays a negative role in attracting FDI. However, the relationship between cultural diversity and FDI is nonlinear. As the scale of investment grows and economic integration deepens, the negative impact of cultural diversity on FDI gradually disappears. A positive effect is observed when the progress of cultural exchange and economic growth reaches a threshold level. Our research enriches the theory of FDI location and have implications for FDI policy making.

**Key Words:** Cultural Diversity; FDI; Economic Growth; China

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