

# Institutional and Macroeconomic Uncertainty and the Fixed Investment Pattern of U.S. Multinational Companies in Developing Countries.

Rodolphe Desbordes<sup>1</sup>

Abstract: Increasing attention has been given to the impact of the business environment on the investment of multinational companies in developing countries. The option approach to investment indeed outlines that institutional and macroeconomic uncertainty generates an option to delay the investment or leads to the choice of a more stable country. Building on previous research, this paper attempts to empirically verify these claims, notably through the construction of macroeconomic uncertainty indicators. A weak rule of law and external shocks to the economy have been identified as negatively influencing the capital expenditures of U.S. Majority-Owned Foreign Affiliates for a sample of developing countries. Moreover, this study puts forward that certain industries can be attracted by countries diverging in their attractiveness factors and that viewing US Foreign Direct Investment as only horizontal may be misleading.

---

<sup>1</sup> PhD Candidate at the University of Paris I Panthéon-Sorbonne. E-mail Address: [rodolphe.desbordes@univ-paris1.fr](mailto:rodolphe.desbordes@univ-paris1.fr). Mail Address: TEAM, Maison des Sciences Economiques, 106-112 Boulevard de l'Hôpital, 75647 Cedex 13 Paris, France.