



## U.S. investment strategies in emerging markets: The impact of foreign policy objectives on international corporate investments

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### Abstract

In this article, the investment strategies of the U.S. in emerging markets are explored, with particular attention given to how foreign policy objectives influence international corporate investments. It examines the evolution of U.S. foreign policy priorities and their impact on shaping corporate decisions in politically and economically dynamic regions. Various investment strategies employed by U.S. corporations are considered, including joint ventures, resource-based investments, export-oriented manufacturing, technology transfer, and digital infrastructure development. It also investigates how sustainability principles, risk diversification, and regulatory compliance contribute to the effectiveness of these strategies.

**Keywords:** U.S. investments, emerging markets, foreign policy, corporate strategies, geopolitical influence, joint ventures

### Introduction

The interplay between international corporate investments and the aims of foreign policy is a key theme of contemporary economic research. The U.S. is one of the leading investors in the world and has significant influence on investment affairs. The emerging markets have significant potential for enlargement. They are also usually characterised by political upheaval, complex regulation systems, and economic unreliability. It is necessary to have a deeper understanding of the way that the U.S. foreign policy influences the strategies of corporate investments within them to examine both economic and geo-political implications.

Emerging markets have traditionally been the key venues in which the U.S. can pursue economic interests alongside other foreign policy goals. American companies are being major drivers of cross-border investments and often orient their activity with these aims either directly or indirectly. It is this alignment that provokes debate about the extent to which geopolitics is a driver of company strategies and the durability of investments made.

While prior research largely delves into the impact of economic factors on investment, there is limited discourse regarding the interactions between geopolitical moves and corporate investment. The two are intricate because there is the dual purpose of maximizing profit and serving foreign policy interests driving U.S. investments. This makes a cautious examination of the intersection of these factors among the emerging economies to be essential in creating comprehensive understanding of the dynamics of global investments. The aim of this study is to analyze the investment strategies of the U.S. in emerging markets, with a particular focus on how foreign policy objectives influence international corporate investments.

### Main part. U.S. foreign policy objectives and their influence on investment strategies in emerging markets

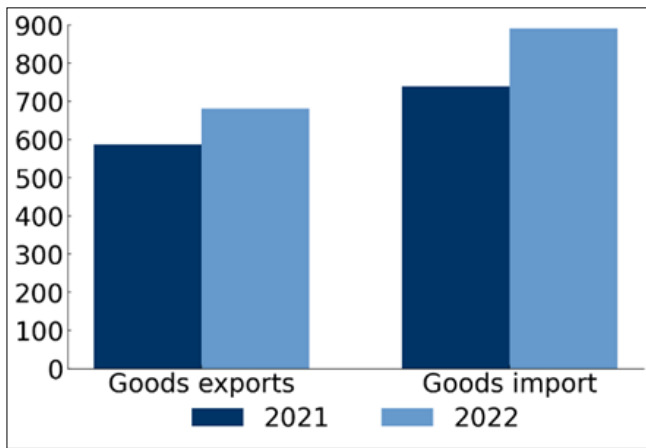
The foreign policy goals of the United States in the past significantly influenced global economic exchanges, and

most importantly, in the case of the growing economies. The emerging economies are model examples of territories considered strategically significant, and they offer monetary opportunities, political, and geographical opportunities.

A combination of economic interests, national security concerns, and the promotion of democratic values has driven U.S. foreign policy. The current focus in American foreign affairs is the regulation of China's emergence as a leading economic force globally, the challenge of terrorism, and the challenge posed by the issues around climate change. All these focus points have significantly affected the strategies in terms of investments in developing nations. Significantly, the competitive pressure from China has seen the United States increase economic activity in Southeast Asia and Africa, the same places to which China also makes significant investments. American corporations have increasingly focused on investments in infrastructure, digital technology, and renewable energy projects, contributing to global economic development and offering alternative opportunities alongside China's Belt and Road Initiative<sup>[1]</sup>.

The relationship between investments and foreign policy strategies also manifests in the imposition of economic sanctions and trade regimes. The United States has employed economic sanctions as a tool to achieve objectives in its foreign policy, which in turn shapes corporate investment decisions. Sanctions applied to certain countries have limited the ability of American businesses to carry out investments in the respective markets, despite potential economic incentives.

Additionally, trade and bilateral investment agreements have induced investments in countries in conformity with the United States' foreign policy goals. The United States-Mexico-Canada Agreement (USMCA) and the African Growth and Opportunity Act (AGOA) are examples of how trade policies can be used to promote both economic and geopolitical objectives. According to data from the Office of the United States Trade Representative<sup>[2]</sup>, U.S. goods exports to USMCA partners reached \$680,8 billion in 2022, representing a 16,0 % compared to 2021 (fig. 1).



**Fig 1:** Dynamics of U.S. goods exports and imports with USMCA partners from 2021 to 2022, billion dollars

Another critical factor influencing U.S. investment strategies is the emphasis on political stability and the rule of law in transitional economies. American corporations are generally risk-averse when it comes to political instability. It can result in threatening the security of investments [3]. Foreign policy often includes efforts to promote good governance, reduce corruption, and strengthen legal institutions in target markets.

The importance of multinational enterprises (MNE) as tools in the conduct of American foreign policy cannot be minimized. The profit-seeking MNE often unwittingly, and often unintentionally, advance the objectives of U.S. international relations through the regulation of their businesses. The expansion of technology companies into emerging markets brings both economic benefits and cultural and political influence. Geopolitical risks also play a significant role in shaping investment strategies. American corporations must navigate complex environments where political dynamics can rapidly change. Conflict, regime change, and diplomatic relation changes can all have a dramatic impact on profitability in investments.

The protection and promotion of human rights, combined with sustainable development, form the core principles of foreign policy of the U.S. The foreign affairs are of great significance with regard to investments, especially of those that give high importance to social and environmental factors. Corporate social responsibility issues often resonate with the broader goals of the U.S. foreign policy. Corporations, in this regard, strive to demonstrate their interest in ethical business practices by directing investments to areas like renewable energy and healthcare. Education also provides economic gain at the same time promoting broader developmental goals in alignment with U.S. political agendas [4].

The aims of U.S. foreign policy significantly impact the making of investment decisions within expanding economies. This impact reflected in the patterns of investments made historically, the enforcement of trade policy and sanctions, the pursuit of promoting political stability, and the promotion of principles like democracy and protection of human rights. All this is framed by a dynamic interaction driven by the dynamic state of international relations, economic opportunities, and geo-political threats.

**Strategies of U.S. international corporate investments in emerging markets**

The formulation of strategies by U.S.-based organizations targeting growing economies is influenced by a mix of economic, institutional, and geopolitical considerations. These strategies aim at striking a balance between financial rewards and the management of the associated risks of operating within conditions of economic and political turbulence.

A fundamental element in the strategies used by U.S. businesses in emerging markets is to enter the market through joint ventures and strategic partnerships. The cooperative agreements allow American businesses to diversify risks through the use of local expertise, the handling of regulation requirements, and the spreading of operating costs. Where constraints on foreign control are prevalent, joint ventures offer the most efficient entry strategy. They allow businesses to penetrate new market segments while complying with local regulation.

Another prominent strategy is foreign direct investment (FDI) in resource-rich transitional markets. These investments are typically long-term and capital-intensive, requiring substantial financial commitments and careful risk management. The rationale behind this strategy lies in securing access to important raw materials necessary for industrial processes and technological innovation [5].

In addition to this, U.S. companies conduct export-oriented investments into emerging markets. Production plants established within developing markets provide the opportunity to leverage lower labor cost while shipping finished products to overseas markets.

Investments by U.S. companies into the transfer of knowledge and technologies are a necessary approach to pursue. Within the areas of information technologies, pharmaceuticals, and biotechnologies, the companies partner by way of research and development (R&D) alliances with indigenous partners.

Investments in portfolios of emerging markets have taken on great significance for U.S. institutional investors. Unlike known FDI, these types of expenditure involve the purchase of equity and debt securities, thus providing opportunities for growth while at the same time offering relatively lower operating risks. Yet portfolio investments are especially vulnerable to macroeconomic incidents, such as currency fluctuations, interest rate fluctuations, and political events. U.S. investors thus employ sophisticated risk management methods, which include hedging transactions and geopolitical studies, to guide them through these markets (table 1).

**Table 1:** Risk management instruments in U.S. investments in emerging markets [6, 7]

Type of risk	Risk mitigation instruments	Applied examples
Political	Political risk insurance, diversification.	Insurance through DFC.
Currency	Hedging, transactions in stable currencies.	Use of U.S. dollars in transactions.
Regulatory	Legal due diligence, partnerships with local firms.	Joint ventures with local companies.
Reputational	ESG standards, corporate social responsibility.	Investments in social projects.

Risk diversification is a fundamental principle underpinning U.S. corporate investment strategy. Emerging markets are characterized by varying levels of political and economic uncertainty, necessitating a balanced approach to investment allocation<sup>[8]</sup>. The approach to diversifying investments in different geographical regions, industries, and asset types helps to offset the impact of adverse events in any specific market.

A serious hurdle facing American companies with regards to high-growth markets is the need to navigate complicated systems of regulation. Compliance with these requirements is key to keeping operational stability and avoiding legal disputes.

Human capital development is a major strategic issue of U.S. investments in fast-growing markets. In particular, investments in knowledge-based sectors are highly dependent on the presence of skilled labor to make them a success. To encourage the development of human capital in the workforce, U.S. firms actively encourage education and training programs, often in conjunction with local governments and universities.

Besides human capital, the U.S. invests in strategy to a significant degree on digital infrastructure and financial technology in developing economies. The rapid embrace of digital technology across the markets has the potential for a major scale-up of the international presence of American tech companies. By investing in digital payment systems, e-commerce platforms, and cloud computing solutions, these companies not only gain access to expanding consumer bases but also contribute to greater financial inclusion and digital connectivity<sup>[9]</sup>.

U.S. corporate investment strategies in emerging markets are characterized by a varied approach that balances opportunity with risk management. Joint ventures, resource-based investments and export-oriented manufacturing represent major components of these strategies. The integration of sustainability principles, diversification, regulatory compliance and human capital development further can increase the effectiveness of U.S. corporate engagements.

## Conclusion

Investment strategies of the U.S. within expanding markets are highly associated with foreign policy objectives, showcasing a congruence between economic incentives and geopolitical considerations. Harmony between company investments with overall foreign policy targets enables the U.S. to reinforce its presence within the international economic arena while promoting political stability, liberalization of the market, and sustainable development. With the application of various techniques, such as collaborative ventures, transfer of technology, sustainable investments, and infrastructure support, U.S. companies successfully navigate the complex patterns of emerging markets while lowering the associated risks and taking advantage of opportunities for expansion.

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