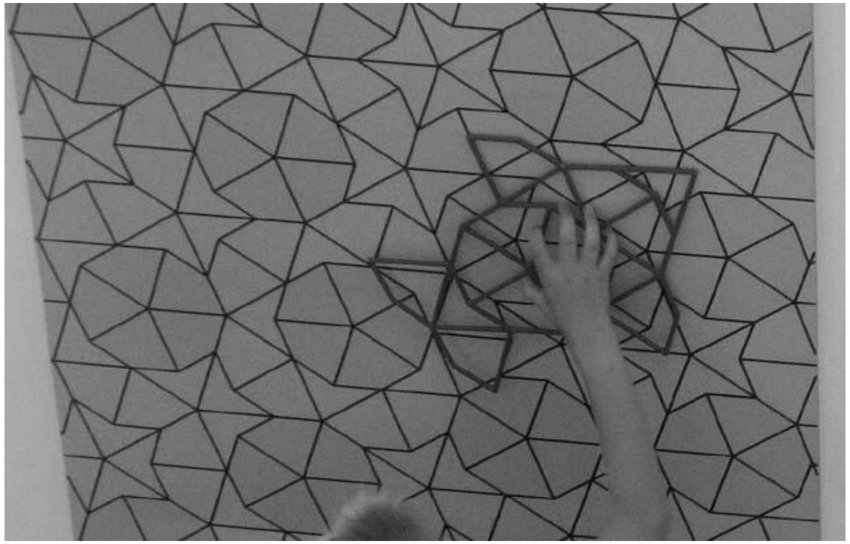

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Optimal Strategies for Flood Prevention.

This paper empirically analyzes the impact of exchange-rate uncertainty, exchange-rate movements, and expectations on foreign direct investment (FDI). Using data on US outward FDI for the period 1984–2004 we examine two competing measures of exchange-rate volatility. While the standard measure yields a discouraging effect on FDI outflows in all industries the alternative risk specification reveals a clear distinction between manufacturing and non-manufacturing industries, with the latter showing a positive correlation with increased exchange risk. A real appreciation of host-country currency was associated with higher FDI flows, while expectations about an appreciation showed a negative result.