

## Preface

Country risk analysis has been one of the major research topics within the fields of economics and finance during the past years. Specific consideration is given to the examination of the factors that are related to the economic and financial difficulties that countries face, as well as on the investment environments. According to Cosset et al. (1992), country risk is defined as the probability that a country will fail to generate enough foreign exchange in order to pay its obligation toward foreign creditors. Based on this definition, the importance of studying the country risk assessment, as well as the establishment of country risk analysis systems, becomes obvious.

Researchers have employed several quantitative analysis methodologies to develop appropriate country risk assessment models. All these studies intend to identify the relationship between country risk indicators and the level of country risk of the countries. They point out the challenges that need to be met and the future research directions that can be explored. Moreover, new issues in country risk assessment have arisen, mainly after the recent crises in Asia and South America.

This book reviews the existing research in country risk analysis and presents several modeling methods for developing country risk assessment models, including statistical and non-parametric methods. Special emphasis is given to the use of multicriteria decision aid methods (MCDA) that may be employed in the country risk assessment problem. Because classic statistical and other methods applied in the past were not always able to respond effectively and sufficiently to the country risk problem, researchers proposed multicriteria methods. MCDA methods are quite interesting and attractive alternatives because they provide an environment for the employment of a sufficient number of quantitative and qualitative factors for the country risk assessment.

The book is organized in four chapters as follows:

Chapter 1 provides a review of country risk definitions, as well as an overview of the most recent operational tools in country risk assessment.

Chapter 2 makes a presentation of MCDA classification methods, statistical and econometric classification methods, and non-parametric techniques. It describes the

general characteristics of the methods as well as the model development process for each of them.

Chapter 3 presents several real-world applications of the methodologies described in Chapter 2 on the country risk assessment problem and analyzes their results.

Finally, Chapter 4 concludes the book and proposes future research directions for the country risk assessment problem.

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