

To Do or Not To Do Business with a Country: A Robust Classification Approach

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ABSTRACT

In the face of global uncertainty and a growing reliance on 3rd party indices to gain a snapshot of a country's operations, accurate decision making makes or breaks relationships in global trade. Under this aegis, we question the validity of the maximum likelihood regression model in classifying countries for doing business. This paper proposes that a weighted version of the Bianco and Yohai (BY) estimator, free of distributional assumptions and outlier-effects, is a superlative tool in the hands of practitioners to gauge the correct antecedents of a country's internal environment and decide whether to do or not do business with that country. In addition, the robust process is effective in differentiating between "problem" countries and "safe" countries for doing business. An existing "R" program for the BY estimation technique has been modified to fit our cause.