

Does Religious Freedom Affect Country Risk Assessment?

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Investors and lenders, when evaluating the risks of a country, generally base their assessment on the political and social environment of a country. Accordingly, a number of studies examining the economic and political factors affecting country risk assessment have surfaced, but no known researches have studied the impact of religious freedom, which is an influential element in the political and social environment of a country, on international business. This study analyzes the relationship between religious freedom and the three measures of country risk: ICRG, Institutional Investor and Euromoney. Although the empirical results are mixed, this article maintains that religious freedom is likely to affect the international business environment.

Keywords: Religious Freedom, Country Risk, Business Environment

1. INTRODUCTION

Globalization (the trend toward an integrated global economic system) has been marked by increases in international capital flows, foreign direct investment, and international trade. "The phenomenal growth of international capital flows is one of the most important developments in the world economy since the breakdown of the Bretton Woods system of fixed exchange rates in the early 1970s" (*Economic Report of the President, The 1999*: 221). The increase in cross-border capital flows to developing countries necessitated the assessment of risks in these countries. In response to this growing need, which began to develop rapidly in the 1970s, a number of institutions have constructed methods to measure country credit-worthiness to help investors and lenders evaluate their exposure.

Country risk studies utilizing multidisciplinary approaches were required because the economic, political and social environments were seen as interrelated in reality and difficult to separate. From the mid-1980s, numerous researchers have offered economic and political explanations to the behavior of country risk ratings (Feder and Uy 1985; Dichtl and Koglmayr 1986; Citron and Nickelsburg 1987; Brewer and Rivoli 1990; Cosset and Roy 1991; Balkan 1992; Haque, et al. 1999). Understanding country risk as a multidimensional construct, these researchers employed a variety of variables, such as changes in government/leadership, political legitimacy, and armed conflicts, to explain country risk and achieved varying levels of success. While cultural variables have been since acknowledged in the country risk and crisis literature (e.g., Alon and Kellerman 1999), many dimensions of country risk still remain empirically untested (generally due to the lack of useable comparative data).

Inasmuch as religion is an element of the political and social environment in a country, it may affect the perception of a country's risk. As a result, businesses may need to adjust their

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strategic posture toward countries that embody varying levels of freedom of religious expression. Our purpose here is to expand the extant literature of country risk analysis by examining the possible relationship that exists between religious freedom and the three popular measures of country risk: *ICRG*, *Institutional Investor*, and *Euromoney*.

Religious freedom is an element of the international business environment. Based on the work of Marshall (2000), we define religious freedom as a basic civil liberty that cuts across all aspects of human social life and includes:

- Freedom from discrimination against religious association
- Freedom of religious press and speech
- Freedom of worship
- Freedom of clergy
- Freedom of religious social participation
- Freedom of religious education and instruction
- Freedom to self-govern by religious bodies

The next section briefly summarizes the literature on country risk. It also explains why religious freedom may impact investors' and lenders' perception of country risk and develops a hypothesis relating the two constructs: religious freedom and country risk. This paper hypothesizes that religious freedom is a cultural variable that impacts investors' and lenders' perceptions of country risk. The section 4 details the methodology, which explains the measures and the statistical techniques chosen. The final section deals with the theoretical and managerial implications.

2. COUNTRY RISK LITERATURE

The extant literature on country risk can be categorized into i) studies that utilize country risk as a dependent variable and ii) studies that use country risk to explain business and economic activities, such as foreign direct investment and mode of entry. The main focus of this article is on the former category, but since the latter establishes the importance of country risk assessment, it is also woven into the discussion.

Country risk has many definitions depending on who defines it and for what purpose. In the narrow context of cross-border bank lending to sovereign borrowers, country risk is defined as the ability and willingness of a country to service its foreign debt. However, the loan practices of international banks to emerging economies have been called into question whenever economic crises develop. In response to changes in a country's credit ratings, banking institutions have adjusted the volume and interest-rate spread for syndicated commercial loans to developing countries. Feder and Ross (1982) ascertain a systematic relationship between bankers' assessment of country risk and interest rate differentials in the Euromarket.

Even in the narrow definition of country risk, the effects of country risk are significant and capable of being transmitted to neighboring countries. Recent crises in developing countries such as Brazil, Argentina, Turkey and developed countries such as Japan indicate that country risk effects extend beyond the banking industry of the national borders of the country in question. For example, due to the high level of the country risk in Argentina, *The Economist* (Sept. 27, 2002) reported that neighboring Uruguay is very likely to eventually default on its loans. A country's position and inclination to make payments not only affect banks and institutional investors, but they also affect the private sector. Cross national flows

in goods and services, as well as capital, can be seriously impaired by a sudden depreciation of countries' currencies, exchange controls, or insufficient foreign currency in the central banks (Wells 1997) or by borrowers' refusal to honor their foreign debt obligations.

The country risk literature shows that country risk impacts a variety of international business activities such as foreign direct investment (Gross and Trevino 1996), equity ownership (Pan 1996), stock market returns (Erb, et al 1996), bank loans, bond prices and bond yields (Scholtens 1999). Consequently, foreign companies adjust their level of investment and mode of entry based on the perceptions of country risk, measures of which are supplied by professional organizations.

Ditchl and Koglmayr (1986) find that IMF credits deteriorated country risk, while credits from the Bank of International Settlements (BIS) improved it. Citron and Nickelsburg (1987) argue that only international liquidity and political instability significantly affect the probability of default for the five countries in their study. Brewer and Rivoli (1990), on the other hand, reveal that instability in the governmental regime is a more important predictor of country risk than economic factors and that short-term fluctuations have a greater impact than long-term ones. They do not, however, find supporting evidence for the political legitimacy and armed conflict variables.

Cosset and Roy (1991) test a model of eight economic variables and one political variable (political instability) for a sample of 71 countries using two measures of country risk, *Euromoney* and *Institutional Investor* ratings, for a 1987 data set. Their model reveals that only the GNP per capita, the propensity to invest and net foreign debt to exports are significant variables in predicting country risk. The model explains 78% of the variation in the logit of *Euromoney* and 81% of the variation of the logit of *Institutional Investors'* ratings. Cosset and Roy conclude that *Euromoney* and *Institutional Investors'* ratings provide little informational value since they are easily replicated with only three objective measures. Like Cosset and Roy (1991), Dichtl and Koglmayr (1986) claim that since country risk ratings are based on a small number of published economic indicators, the ratings value are also limited. Others have also criticized the empirical approach to measuring default risk, claiming that the predictive capabilities of the models are low (Citron and Nickelsburg 1987). The empirical literature on default risk suggests that either country risk follows a random pattern or the market of international lending does not fully account for it (Citron and Nickelsburg 1987). Because of this disagreement, a number of researchers have relied on prediction instead of explanation to form a "best-fit" practical model (Balkan 1992). We, however, defend the position that country risk ratings have value despite the criticism levied against them. The most important argument in defense of these measures is the common usage of country risk ratings in business activities. As mentioned above, country risk ratings affect a wide range of economic activity, such as foreign direct investment, international business mode of entry, interest rate differentials, and returns on equity. Since decision makers have no formal training in statistical modeling and are unable to produce country risk ratings independently, they must rely on the measures that are readily available and are considered reliable by industry standards. If decision makers ignore available information hurting their companies' progress, they are likely to be held responsible. On the other hand, they are less likely to be blamed for using recognized measures of country risk when unexpected events occur.

3. RELIGIOUS FREEDOM

Religious freedom has grown in importance in recent years. Marshall (2000: 25) writes, “violations of religious freedom worldwide are massive, widespread, and in the last five years growing.” Religion permeates politics, economics, culture and, even, business. It is also intertwined with ethnic, national, territorial, economic, and social concerns (Marshall 2000). International businesses should be concerned about violations of religious freedom because such violations affect the general business environments, political relationships among countries, and consumer sentiment toward companies doing businesses in these countries. The Chinese National Petroleum company working with Goldman Sachs investment firm, for example, had to downsize its plan to raise money with American investors by about \$7 billion because of its ties to Sudan, a country accused by the US government as being the largest violator of religious freedom in the world (Shea 2000).

Religion shapes culture: the way people behave, their view on life, their history, their conceptions of right and wrong, etc. Where and when different religions come into contact with each other the possibilities of misunderstanding and potential for conflicts increase. It is, thus, no surprise to religious scholars that most of the areas in the world that experience chronic armed conflicts – the Middle East, southern Sahara, the Balkans, the Caucasus, Central Asia, and South Asia – are also fault lines where Islam, Christianity, Judaism, Buddhism, and Hinduism intersect (Marshall 2000). Recent conflicts in Bosnia, Lebanon, the Philippines, Nicaragua, India, Pakistan, Afghanistan, Israel, Iraq, Sudan, Indonesia, China, Sri Lanka and Nigeria can be at least partially attributed to religious conflicts.

Despite the importance of religion, religious freedom, and religious tolerance to social, political, and economic behavior, international business research on the topic is virtually nonexistent. Country risk emanates from uncertainty relating to political, economic and social environments, both from within and outside the country, which affects the conduct and profitability of international business. In this regard, religious freedom affects the environments that determine country risk. Religious freedom is important to country risk because (1) religion is pertinent to the social, political and economic environments of international business, (2) religion plays a role in armed conflicts within and between nations, (3) religious freedom is a stated objective in US foreign policy and constitutional amendments of many countries, and (4) religious freedom is viewed as a universal right.

Finally, much of the foreign direct investment comes from industrial countries that are relatively free. This investment is more likely to be attracted to host market environments that mirror similar home value systems. Therefore, we propose that religious freedom is a significant factor of country risk and that the higher the level of religious freedom, the lower the country risk perceptions of a host market. Our hypothesis, thus, states:

H1: Country risk ratings will indicate diminishing risk with increasing religious freedom.

4. METHODOLOGY

The focus of our investigation is on the impact of religious freedom on country risk. To that end, we utilize stepwise regression analysis in order to ascertain whether religious freedom is a significant (in the statistical sense) determinant of country risk perception. Our

purpose is not to provide the best predictive model, but to extend the explanation of the social determinants of country risk measures.

The data were taken from a variety of sources. The data for *Euromoney* were taken from the *Euromoney* magazine (1999). The data on religious freedom were extracted from Marshall (2000). All other data – dependent variables of *ICRG* and *Institutional Investor* and the independent economic variables were obtained from the World Bank's World Development Report (1999). A more detailed examination of the variable of interest is given below.

4.1. Dependent Variables.

Three popular measures of country risk – *Institutional Investor*, *International Country Risk Guide* (ICRG), and *Euromoney* – were each used as dependent variables. The three measures have different audiences but are meant to measure the same general construct: country risk. *Institutional Investor* and *Euromoney* target large investors interested in international portfolio investment and international banks; *ICRG* is more concerned with direct international business investment. All three measures, evaluated by economists, bankers, and/or country experts, are readily available and regularly updated. A brief description of each measure is given below.

4.1.1. Institutional Investor

Institutional Investor's ratings are relevant to this because they are the only measures that are based solely on the ratings of leading international bankers. *Institutional Investor* provides a composite rating system that consists of a weighted average of leading international bankers' evaluations of countries' creditworthiness. Perceptions of leading international banks regarding the risk environment impact the relative score given to each country. The ratings range from 0 (maximum risk of default, least creditworthy) to 100 (minimum risk, most creditworthy). The ratings of international banks with the largest worldwide exposure receive more weight than those from smaller international banks.

4.1.2. International Country Risk Guide (ICRG)

ICRG divides the country risk into three categories: political, financial and economic, which are comprised of 13, 5, and 6 components respectively – a total of 24 variables. Political variables include: economic expectations vs. reality, economic planning failures, political leadership, external conflict, corruption in government, military in politics, organized religion in politics, law and order tradition, racial and national tensions, political terrorism, civil war, political party development. Financial risk is comprised of loan default or unfavorable loan restructuring, delayed payment of suppliers' credits, repudiation of contracts by governments, losses from exchange controls, and expropriation of private investments. Economic risk includes inflation, debt service as a percentage of exports, international liquidity ratio, foreign trade collection experience, current account balance as a percent of goods and services, and parallel foreign exchange rate market indicators. *ICRG* combines the three components to calculate a final country risk rating for each country. Similar to *Institutional Investor*, the measure is between 0 to 100 and the higher the ratings the lower the perceptions of country risk.

4.1.3. *Euromoney*

Like *Institutional Investor* and *ICRG*, *Euromoney* measures vary from 0 to 100, with 100 representing the safest investment profile. The measures are derived from *Euromoney*'s surveys of economist and political analysts from large banks, institutional investors, and consultancy groups. They are asked to also consider in their analysis economic growth, monetary stability, current account, budget deficit/surplus, unemployment, and structural imbalances. Economic variables drive much of this measure.

4.2. Independent Variables.

We included as possible independent variables in the stepwise regression those variables which have been found to be important in other studies including: GNP per capita, the GDP growth, level of urbanization, female labor force participation, GINI coefficient, export growth, international reserves per capita, and six religious freedom dummy variables (marked Rel 2 – Rel 7). While additional plausible variables could have been chosen, each additional variable tends to diminish the effective sample size, because of missing data. Thus, we limited the number of possible independent variables to eight key variables relating to the domestic economy, society, and international trade.

4.2.1. *Religious Freedom*

The *religious freedom* measure that we used is the first ever to incorporate a standardized approach to systematically measure religious freedom around the world (Marshall 2000). Developed by *Freedom House* using a multi-disciplinary and a multi-religious group of more than sixty scholars from the U.S. and abroad, the measure uses criteria based on the International Covenant of Civil and Political Rights, the United National Declaration on the Elimination of All Forms of Intolerance and of Discrimination based on Religion or Belief, the European Convention on Human Rights, and a list of criteria developed by Willy Fautre, the head of Human Rights without Frontiers in Brussels (Marshall 2000; American Educator 2001).

The religious freedom measures were developed using numerous variables. These variables were divided into 8 factors including (1) individuals' rights to freedom of conscience, (2) community members freedom to worship, (3) freedom of clergy, (4) right to social participation, (5) freedom of religious education and instruction, (6) right to self-government by religious bodies, (7) equality/nondiscrimination of different religions, including atheists, and (8) equality/nondiscrimination of communities and institutions of different religions. Each of these factors was measured with multiple variables from 4 variables for freedom of clergy to 17 variables for community members' freedom to worship.

The measure varies between 1 (free) and 7 (not free). Since the religious freedom measure is an ordinal measure, not a ratio scale measure, it was converted into 6 distinct dummy variables, for values of the rating from 2 thru 7, thus making level one the reference or benchmark to which all the other dummies are compared.

For discussion purposes, Marshall (2000) further aggregates the ratings into 3 categories 1-3 (free), 4-5 (partly free), and 6-7 (not free) and analyzes them by region and religion. The Western European and North Atlantic areas are free. In Africa few countries are included and scores range from 2 to 5, but prospects for war-torn Angola, Congo, Liberia, Sierra Leone

are not bright. In Latin America Brazil is the freest, and only one country, Cuba, is considered as not free. In Asia, many violations on religious freedom are noted. The only free countries are Japan, South Korea, Taiwan, Mongolia, and the Philippines. The Former Soviet Union and Eastern Europe region Estonia, Lithuania, and Poland scored 1-2, while Uzbekistan and Turkmenistan are not free at all. Most other countries in the region are partly free. In North Africa and West Asia, Israel (with the exception of the Palestinian territories) is the freest with a score of 3, while Iran, Saudi Arabia, and Sudan scored the lowest (Iraq was not included in the sample of rated countries).

According to the study, Christian countries tend to score the highest in religious freedom, political rights and civil liberties. Within Christianity, Protestantism-based countries score more favorably in general. Buddhist countries Japan, Mongolia, South Korea, and Taiwan and the Jewish state of Israel are free. The Buddhist countries that score badly on religious freedom have oppressive communist regimes. India, the largest democracy, is only partly free and harbors a frightening brand of militarism (Marshall 2000).

Islamic countries, according to Marshall, are the least democratic, least free, and with the least civil liberties. No Islamic country is completely free; half are not free; and many are deteriorating. One bright spot, Indonesia, the world's largest Muslim population is slowly becoming freer following its 1999 elections.

5. RESULTS AND DISCUSSIONS

5.1. Correlation of Country Risk Ratings

Like much of the previous studies, the data on country risk show a strong rank correlation among the measures. The relationship between *Euromoney* and *Institutional Investor* is stronger than that with *ICRG*.

Table 1. Rank Correlations of Country Risk Measures

	ICRG	Institutional Investor	Euromoney
ICRG	1		
Institutional Investor	0.787	1	
Euromoney	0.851	0.907	1

The *ICRG*, *Institutional Investor*, and *Euromoney* are highly inter-correlated, having correlation coefficients between 0.79 and 0.90. While this is certainly significant in the statistical sense, note that only about 64% to 81% of the variation in one measure would be explained by the other measure. Therefore, one can say that *ICRG*, *Institutional Investor* and *Euromoney* provide slightly different measures of the country risk construct. Each country risk measure fulfills a purpose, but the measures are not perfect substitutes for each other.

Cosset and Roy (1991) also find a high correlation ($r = 0.96$) between the ratings of *Euromoney* and *Institutional Investor*. Both Cosset and Roy and Brewer and Rivoli (1990) find that *Institutional Investor* and *Euromoney* ratings react similarly to changes in the independent variables. To test for convergent validity, Dichtl and Koglmayr (1986) compare

the German country risk ratings of *Manager Magazin*, which is based on 225 experts from businesses, banks, Chambers of Commerce and other institutions, to *Institutional Investor*, finding a correlation coefficient of 83%.

5.2. Stepwise Regression Results

Cosset and Roy (1991) use a logistics transformation on the dependent variables, since the dependent variable is bounded and not truly continuous. We follow that procedure in this analysis, transforming $ICRG = \ln[ICRG/(100-ICRG)]$. *International Investor* and *EuroMoney* were similarly transformed. [Note that R^2 is a measure of the explained variation of the *transformed* dependent variable.] Since a robust structural model for country risk has not been established with respect to alternative model specifications (Balkan 1992), we utilize stepwise regression in selecting the most significant independent variables, allowing the inclusion of potentially important and relevant explanations. The mean, standard deviation, minimum, and maximum values for the data which were retained in one or more of the stepwise regression results are presented in Table 2. The statistics are based on the all non-missing values for each series.

Table 2. Summary Statistics for data used in Stepwise Regressions.

Variable	N	Mean	Standard Deviation	Minimum	Maximum
ICRG	106	69.04	11.53	36.60	93.30
Institutional Investor	96	43.32	24.46	5.70	92.60
EuroMoney	87	54.00	26.28	16.54	98.36
Logit of ICRG	106	0.8648	0.5856	-0.5494	2.6337
Logit of Institutional Investor	96	-0.2850	1.2250	-2.8060	2.5270
Logit of EuroDollar	87	0.3120	1.4080	-1.6190	4.0940
GNP per Capita	109	7,693	7,811	510	29,000
International Reserves per capita	127	897	2,602	0	23,767
GINI	90	39.0600	10.8300	19.5000	62.9000
Religion 1 Dummy	65	0.0923	0.2917	0	1
Religion 2 Dummy	65	0.1538	0.3636	0	1
Religion 3 Dummy	65	0.2462	0.4341	0	1
Religion 4 Dummy	65	0.2615	0.4429	0	1
Religion 5 Dummy	65	0.1231	0.3311	0	1
Religion 6 Dummy	65	0.0923	0.2917	0	1

(Samples size for each variable reflects available data, not data used in the regression itself)

The original sample of countries for which religious freedom measures are available contain 75 cases. However, the data for the independent variables are incomplete; missing observations for some data series necessitated omitting these countries in the regression models. Three models were developed, one for each of the country risk measures. For our analysis, 31 countries were included in the regression using *ICRG*, 30 countries were

included for *Institutional Investor* model, and 22 observations were used in the *Euromoney* model¹. See table 3 for regression results.

Table 3. Best Fit Country Risk models (Stepwise)

Variable Name	ICRG	Institutional Investor	EuroMoney
Constant	1.258	-1.00700	0.7108
GNP Per Capita		0.00013 15.72***	0.00013 15.50***
International Reserves per Capita	0.00026 4.53***		
GINI			-0.0316 4.10***
Religious Freedom 3	-0.38 -2.38*		
Religious Freedom 4	-0.66 -3.68***		
Religious Freedom 5	-0.62 -4.48***		
Religious Freedom 6	-0.62 -2.74*		
Number of Observations	31	30	22
R ²	79.77	89.82	94.77

* = significant at the .05 level

**= significant at the .01 level

***= significant at the .001 level

In the regression analysis, none of the countries which remained in the regression had a religious rating of “7”; thus the dummy variable, Rel 7, was (necessarily) omitted from the analysis. The fact that the World Bank was missing critical economic data on the countries that scored 7 is telling of their importance to the global economy (with the exception of Saudi Arabia). These countries include: Turkmenistan, Iran, Saudi Arabia, Sudan, Burma, North Korea, and Tibet.

In the *ICRG* regression, the variables that were picked up by the model as most significant were international reserves per capita and religion dummy variables 3 through 6

¹ Because of our small sample size, we also ran rank correlations between the 3 measures of country risk and the religious freedom variable. - The pairwise-rank correlations (n = 31) for each risk measure with the religion variable were -0.664, -0.514, and -0.618, for *Institutional Investor*, *ICRG* and *Euromoney* respectively. The correlations for *ICRG* – Religion and *Euromoney*-Religion were significantly different from zero at the 0.001 level. The *Institutional Investor*-Religion correlation was significant at the 0.01 level.

(Rel3 – Rel 6). The negative effect of the religion dummies is clearly significant and supports our hypothesis; the negative effect of dummies 4, 5, and 6 is about 70% more powerful than for dummy 3.

Countries that are partly free or not free are, therefore, much more likely to be rated lower by *ICRG*. Since religion dummy 2 does not enter into the equation, there would seem to be little difference between ratings 1 and 2 for the *ICRG* model. Countries that are free are less likely to be differentiated by *ICRG*.

In contrast to the *ICRG* model, the regressions for *Institutional Investor* and *Euromoney* did not reveal a significant relationship with the religious freedom measures. These regressors also selected different economic variables than did the *ICRG*. For the *Institutional Investor's* regression, the only variable which emerged as significant was GNP per capita; and this variable was able to explain about 90% of the variation in the dependent variable. This result indicated that country risk as perceived by *Institutional Investor* is mostly driven by the level of economic development. The more developed the country the lesser its associated level of country risk.

The *Euromoney* model shows an impact almost identical to the *Institutional Investor* model for the GDP per capita variable, but also included a negative and significant impacted of the GINI coefficient on country risk. Together these two variables explain nearly 95% of the dependent variable. The GINI coefficient measures the level of income distribution. The higher the GINI coefficient, the greater the level of income inequality. Countries that exhibit a higher level of income inequality are also likely to be perceived as a higher risk. Income inequality can also lead to social unrest and frustration in the citizenry, contributing to the country risk of the host market.

The raters of *ICRG* seem to be more in tune with the levels of religious freedom. This can be attributed to a number of factors. First, *ICRG* measures are more holistic, explicitly including political and governmental variables, for example. Second, the *ICRG* measure relates more to direct foreign investors, who may be more concerned with the long term impacts and social structure of the country.

The results are curiously mixed. On the one hand, the rank correlations between religious freedom and all the country risk measures exhibit a significant negative relationship. On the other hand, the regression results show that religious freedom dummy variables contributed significantly to one country risk measure (*ICRG*), and not to the other two risk measures. One possible explanation is that the *ICRG* scores are designed for international investors and multinational companies who examine a wide variety of social, economic, and political variables prior to making an investment, while the other two measures are intended more for international bankers who focus on economic dimension and the ability of governments to pay their sovereign debt. Our study is the first of its kind to explore the direct relationship between religious freedom and country risk. We hope that other international business scholars will continue to examine the impact of religious freedom on the economic, political and social environments and find ways to improve the current practices currently invoked in violating countries.

6. LIMITATIONS AND FUTURE RESEARCH

No study is without limitations and opportunities for further research, and ours is no exception. Our study had a small sample size and given the number of possible independent

variables, it is possible that religious freedom was not significant in two of the three models due to statistical rather than theoretical reasons. Secondly, it is difficult to separate religious freedom from other elements of the international business environment such as civil liberties and the political and legal environment. Some Islamic countries, for example, base much of their legal doctrine on Islamic law which may be antithetical to the type of business environments pursued by multinational companies. As mentioned in the introduction, the cultural, political/legal, and economic environments are interwoven.

We argue that the lack of religious freedom is an element of the cultural environment that is viewed negatively by culturally distant Western nations that embody a high degree of religious freedom. However, there is a growing portion of FDI originating from other developing nations, which might not share the same value systems with the West regarding religious freedom, and which may not care so much about violations against religious freedom. Future research may wish to examine how the country-of-origin of foreign investment affects perceptions of religious freedom and country risk.

More research is needed on the basic concept of religion as an element of the international business environment that affects the perceptions, conduct, and profitability of foreign investment. While we focused on religious freedom, a basic human right, the religious association of the nation state may also impact foreign investors' perceptions and decisions. One question future studies may want to explore is: "Are some religions more likely to create wealth and stability, less likely to attract investors, or more likely to increase the risks of doing business?" Researchers wishing to pursue this line of research need to be careful about making value judgments or representing the viewpoint of a particular religious grouping.

In sum, we agree with Marshall (2000) and with others who claim that religion is a variable that cannot be ignored by social scientists. Business and economics researchers need to pay increasing attention to dimensions of religion that may affect their strategic evaluations, human resource systems, marketing activities, and need for adaptation. Religion is at the core of economic, political, and social life -- indispensable, unavoidable, and highly influential.

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