The Global Competitiveness Index 2013–2014: Country Profile Highlights

The following sections discuss the findings of the GCI 2013–2014 for the top performers globally, as well as for a number of selected economies in each of the five following regions: North America, Europe, and Eurasia; Asia and the Pacific; Latin America and the Caribbean; the Middle East and North Africa; and sub-Saharan Africa.[1]

Top 10

As in previous years, this year's top 10 remain dominated by a number of European countries, with Switzerland, Finland, Germany, Sweden, the Netherlands, and the United Kingdom confirming their places among the most competitive economies. Three Asian countries also figure in top 10, with Singapore remaining the second-most competitive economy in the world, and Hong Kong SAR and Japan placing 7th and 9th. It is worth noting that a vast majority of the top 10 most competitive economies share strengths in innovation and a strong institutional framework.

Switzerland retains its 1st place position again this year as a result of its continuing strong performance across the board. The country's most notable strengths are related to innovation and labor market efficiency as well as the sophistication of its business sector (ranking 2nd in all three). Switzerland's top-notch scientific research institutions, along with other factors, make the country a top innovator. Productivity is further enhanced by a business sector that offers excellent on-the-job-training opportunities, both citizens and private companies that are proactive at adapting the latest technologies, and labor markets that balance employee protection with business efficiency. Moreover, public institutions in Switzerland are among the most effective and transparent in the world (5th). Governance structures ensure a level playing field, enhancing business confidence: these include an independent judiciary, a strong rule of law, and a highly accountable public sector. Competitiveness is also buttressed by excellent infrastructure (6th) and highly developed financial markets (11th). Finally, Switzerland's macroeconomic environment is among the most stable in the world (11th) at a time when many neighboring economies continue to struggle in this area. While Switzerland demonstrates many competitive strengths, maintaining its innovative capacity will require boosting the university enrollment rate of 56.8 percent, and also increasing the participation rate of women in the economy (86 percent) which continue to trail many other high-innovation countries.

Singapore ranks 2nd overall for the third consecutive year, owing to an outstanding performance

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For further analysis of this year's national competitiveness landscape, see *The Global Competitiveness Report 2013–2014* with detailed profiles of all 148 economies as well as an interactive data platform are available at **www.weforum.org/gcr.**

across all the dimensions of the GCI. Again this year, it is the only economy to feature in the top 3 of seven out of the 12 pillars of the GCI; it also appears in the top 10 of two others. It dominates the goods market efficiency pillar and the labor market efficiency pillar, and places 2nd in the financial market development pillar. Furthermore, the city-state boasts one of the world's best institutional frameworks (3rd), even though it loses the top spot to Finland in the related pillar. Singapore also possesses world-class infrastructure (2nd), with excellent roads, ports, and air transport facilities. Its economy can also rely on a sound macroeconomic environment and fiscal management (18th)—the budget surplus amounted to 5.7 percent of GDP in 2012. Singapore's competitiveness is further enhanced by its strong focus on education, which has translated into a steady improvement of its ranking in the higher education and training pillar, where it comes in 2nd, behind Finland. Singapore's private sector is also becoming increasingly sophisticated (17th) and more innovative (9th), although room for improvement exists in both areas, which are the keys to Singapore's future prosperity.

Finland retains its 3rd position. Similar to other countries in the region, the country boasts well-functioning and highly transparent public institutions (1st), topping several indicators included in this category. Its private institutions, ranked 3rd overall, are also seen to be among the best run and most ethical in the world. Finland also occupies the top position both in the health and primary education pillar and the higher education and training pillar, the result of a strong focus on education over recent decades. This has provided the workforce with the skills needed to adapt rapidly to a changing environment and has laid the groundwork for high levels of innovation, allowing Finland to become a highly innovative economy. Improving the country's capacity to adopt the latest technologies (ranked 18th) could lead to important synergies that could, in turn, further reinforce the country's competitive position going forward. Finland's macroeconomic environment has weakened slightly on the back of rising inflation (above 3 percent), but it fares comparatively well when contrasted with other euro-zone economies.

Germany moves up by two notches to 4th place this year. The country is ranked an excellent 3rd for the quality of its infrastructure, boasting in particular first-rate facilities across all modes of transport. The goods market is quite efficient and is characterized by intense local competition (10th) and low market dominance by large companies (2nd). Germany's business sector is very sophisticated, especially when it comes to production processes and distribution channels. German companies are among the most innovative in the world, spending heavily on R&D (4th) and displaying a high capacity for innovation (3rd)—traits that are complemented by the country's well-developed ability to absorb the latest technologies at the firm level (16th). Research institutions are assessed as being of higher quality than in previous years, and scientists and engineers appear to be more readily available. All these attributes allow Germany to benefit greatly from its significant market size (5th), which is based on both its large domestic market and its strong exports.

Some shortcomings remain with respect to labor markets and the educational system. Despite some improvement (from 53rd to 41st), Germany's labor market remains rigid (113th for the labor market flexibility subpillar), where a lack of flexibility in wage determination and the high cost of firing hinder job creation, particularly during business cycle downturns. To maintain Germany's competitiveness, the quality of the educational system—where, at 23rd place, the country continues to trail most of its top 10 peers—needs to be improved further. But the country has already registered an improvement across all educational quality indicators in the GCI, an important basis for sustained innovation-led growth.

After having declined for four consecutive years in the ranking, the **United States** reverses its downward trend, rising by two positions to take 5th place this year and overtaking the Netherlands and Sweden. While the economy is getting back on track, the deleveraging process in the banking sector continues to show positive effects on the stability and efficiency of the country's financial markets, improving from 31st three years ago to 10th this year in that pillar. At the same time, the assessment of public institutions is slightly more positive, which is a hopeful outcome after a number of years of weakening confidence in this area.

Overall, many structural features continue to make the US economy extremely productive. US companies are highly sophisticated and innovative, supported by an excellent university system that collaborates admirably with the business sector in R&D. Combined with flexible labor markets and the scale opportunities afforded by the sheer size of its domestic economy—the largest in the world by far—these qualities continue to make the United States very competitive. On the other hand, some weaknesses in particular areas remain. Although the assessment of institutions improves this year, the business community continues to be rather critical, with trust in politicians still somewhat weak (50th), concerns about the government's ability to maintain arms-length relationships with the private sector (54th), and a general perception that the government spends its resources relatively wastefully (76th). The macroeconomic environment continues to be the country's greatest area of weakness (117th), although the deficit is narrowing for the first time since the onset of the financial crisis.

Sweden falls two places to 6th position. Like Switzerland, the country has been placing significant emphasis on creating the conditions for innovation-led growth. Although the assessment has deteriorated slightly over the past year—mainly due to a somewhat weaker macroeconomic environment—the quality of Sweden's public institutions remains first rate, with a very high degree of efficiency, trust, and transparency. Private institutions also receive excellent marks, with firms that demonstrate highly ethical behavior. Additional strengths include goods and financial markets that are very efficient, although the labor market could be more flexible (Sweden ranks 57th on the flexibility subpillar). Combined with a strong focus on education over the years and a high level of technological readiness (1st), Sweden has developed a very sophisticated business culture (7th) and is one of the world's leading innovators (6th). These characteristics come together to make Sweden one of the most productive and competitive economies in the world.

Hong Kong SAR further consolidates its position among the 10 most competitive economies, advancing a further two places to 7th, thanks to a consistently strong performance. In particular, Hong Kong tops the infrastructure pillar for the fourth consecutive edition, reflecting the outstanding quality of its facilities across all modes of transportation. It also dominates the financial market development pillar, owing to the high level of efficiency, trustworthiness, and stability of the system. As in the case of Singapore, the dynamism and efficiency of Hong Kong's goods market (2nd) and labor market (3rd) further contribute to its excellent overall positioning. In order to enhance its competitiveness, Hong Kong must improve on higher education (22nd) and innovation (23rd, up three). In the latter category, the quality of research institutions (31st) and the limited availability of scientists and engineers (32nd) remain the two key issues to be addressed.

After having moved up in the rankings in the last edition, the **Netherlands** loses three places and slips to 8th place this year. The drop mainly reflects weakening financial markets and, in particular, rising concerns regarding the stability of banks. Overall, the economy is highly productive due to some pronounced strengths. Dutch businesses are highly sophisticated (4th) and innovative (10th), and the country is rapidly and aggressively harnessing new technologies for productivity improvements (8th). Its excellent educational system (ranked 4th for health and primary education and 6th for its higher education and training) and efficient markets—especially its goods market (8th)—are highly supportive of business activity. And although the country has registered fiscal deficits in recent years (4.15 percent of GDP in 2012), its macroeconomic environment is stronger than that of a number of other advanced economies. Last but not least, the quality of its infrastructure is among the best in the world, reflecting excellent facilities for maritime, air, and railroad transport, which are ranked 1st, 4th, and 11th, respectively.

Up one position, **Japan** now ranks 9th with a score almost unchanged since last year. The country continues to enjoy a major competitive edge in business sophistication (1st for the fifth consecutive year) and in innovation (5th). High R&D spending (2nd), availability of talent (4th), world-class research institutions (9th), and capacity to innovate (6th) are among Japan's strengths. Indeed, in terms of innovation output, this pays off: the country has the fourth-highest number of patent applications per capita in the world. Further, companies operate at the highest end of the value chain, producing high-value-added goods and services. However, the country's overall competitive performance continues to be dragged down by severe macroeconomic weaknesses (127th). For the past four years, the budget deficit has been hovering around 10 percent of GDP, one of the highest ratios in the world, while the public debt reached record levels, representing almost 240 percent of Japan's GDP. It is unlikely that the coming year will see a reversal in these trends in light of the country's aggressive monetary policy and various stimulus packages. In addition, the labor market (23rd, down three) is characterized by persisting rigidities and inefficiencies, including the lack of female participation in the labor force (90th overall, the fifth lowest ratio among the member states of the Organisation for Economic Co-operation and Development, or OECD). Burdensome regulation, notably for business creation; high taxation; various trade barriers (111th); and a relative isolation, resulting in low foreign investment and ownership and a weak capacity to attract talent (80th), represent Japan's major competitive weaknesses. It remains to be seen whether the government will deliver on its promise to address those structural issues as part of its strategy to revitalize Japan's economy.

The **United Kingdom** (10th) rounds out the top 10, falling by two places in this year's assessment. The country deteriorates slightly in several areas, most notably its macroeconomic environment and its financial markets. Overall, the United Kingdom benefits from clear strengths such as the efficiency of its labor market (5th), in sharp contrast to the rigidity of those of many other European countries. The country continues to have sophisticated (9th) and innovative (12th) businesses that are highly adept at harnessing the latest technologies for productivity improvements and operating in a very large market (it is ranked 6th for market size). The highly developed financial market also remains a strength overall, despite some weakening since last year. All these characteristics are important for spurring productivity enhancements. On the other hand, the country's macroeconomic environment (115th, down from 85th two years ago) represents the greatest drag on its competitiveness, with a fiscal deficit above 8 percent in 2012, an increase of over 7 percentage points in public debt amounting to 90.3 percent of GDP in 2012 (136th), and a comparatively low national savings rate (10.8 percent of GDP in 2012, 122nd).

North America, Europe, and Eurasia

Throughout the past year, much of Europe has continued to struggle with financial and structural challenges. Far-reaching actions were taken in Europe to avoid the breakup of the euro zone and bring the region onto a more dynamic growth path, mainly through macroeconomic measures and, to some extent, through structural reforms especially in peripheral euro zone countries. Although measures to improve competitiveness in some countries seem to have started bearing fruit, low global and regional demand continues to constrain growth, and several core countries still must reform their own economies in order to once again become engines of growth.

Despite these challenges, several European countries continue to feature prominently among the most competitive economies in the world. As described above, six of them are among the top 10. In total, 10 are among the top 20, as follows: Switzerland (1st), Finland (3rd), Germany (4th), Sweden (6th), the Netherlands (8th), the United Kingdom (10th), Norway (11th), Denmark (15th), Austria (16th), and Belgium (17th). However, Europe is also a region with significant disparities in competitiveness, with several countries from the region significantly lower in the rankings (with Spain at 35th, Italy at 49th, Portugal at 51st, and Greece at 91st). As in previous years, North American countries feature among the most competitive economies worldwide, with the United States occupying the 5th position and Canada the 14th.

Norway rises by four places in the rankings to a remarkable 11th this year, with progress in a number of areas. Specifically, the country features a notable improvement in the uptake of ICTs, particularly increasing Internet bandwidth and greater penetration of mobile broadband. Similar to the other Nordic countries, Norway is further characterized by well-functioning and transparent public institutions; private institutions also get admirable marks for ethics and accountability. Markets in the country are efficient, with labor and financial markets ranked 14th and 9th, respectively. Productivity is also boosted by a good uptake of new technologies, ranked an excellent 3rd overall for technological readiness, up 10 places in this area since last year. Moreover, Norway's macroeconomic environment is ranked an impressive 2nd out of all countries (up from 3rd last year, and continuing an upward trend over the last several years), driven by windfall oil revenues combined with prudent fiscal management. On the other hand, Norway's competitiveness would be further enhanced by continuing to upgrade its infrastructure (33rd), fostering greater goods market efficiency and competition (22nd), and further improving its environment for R&D.

Canada remains stable at 14th place. The country continues to benefit from highly efficient markets (with its goods, labor, and financial markets are ranked 17th, 7th, and 12th, respectively), well-functioning and transparent institutions (14th), and excellent infrastructure (12th). Canada is also successfully nurturing its human resources compared with other advanced economies (ranking 7th for health and primary education and 16th for higher education and training), providing the workforce with the skills needed to succeed in a competitive economy. Canada's competitiveness would be further enhanced by improvements in its innovation ecosystem such as increased company-level spending on R&D and government procurement of advanced research products.

Denmark loses three positions this year at 15th, placing just behind Canada, with a weakening in its macroeconomic environment. Similar to its Nordic neighbors, the country continues to benefit from one of the best functioning and most transparent institutional frameworks in the world (18th). Denmark also continues to receive a first-rate assessment for its higher education and training system (14th), which has provided the Danish workforce with the skills needed to adapt rapidly to a changing environment and has laid the ground for high levels of technological adoption and innovation. A continued strong focus on education would help to reverse the downward trend in the country's ranking and to maintain the skill levels needed to provide the basis for sustained innovation-led growth. A marked difference from the other Nordic countries relates to labor market flexibility, where Denmark (13th) continues to distinguish itself as having one of the most efficient labor markets internationally, with more flexibility in setting wages, firing, and therefore hiring, along with a greater number of workers than seen in the other Nordics and most European countries more generally.

Austria is ranked 16th this year, demonstrating a stable performance since last year. The country benefits from excellent infrastructure (16th) and sophisticated businesses (8th) that are highly innovative (15th). This is buttressed by an education and training system that does a good job of preparing the workforce, particularly through a strong focus on on-the-job training (5th). Austria's competitiveness would be further enhanced by greater flexibility in its labor market (the country is ranked 88th in this subpillar), and by continuing to improve its already-excellent educational system.

Belgium is ranked 17th, retaining the same place as last year. The country has outstanding health indicators and a primary education system that is among the best in the world (2nd). Belgium also boasts an exceptional higher education and training system (5th), with excellent math and science education, top-notch management schools, and a strong propensity for on-the-job training that contribute to a relatively high capacity to innovate

(14th). Its goods market is characterized by high levels of competition and an environment that facilitates new business creation. Business operations are also distinguished by high levels of sophistication and professional management processes. On the other hand, there are some concerns about government inefficiency (56th) and its highly distortionary tax system, which particularly reduces the incentives to work (142nd). Moreover, its macroeconomic environment continues to be burdened by persistent deficit spending and high public debt.

France is ranked 23rd, down two places from last year. The decline comes on the back of increasing concerns among business leaders about the health of the financial sector. France retains a number of clear competitive advantages, including the country's infrastructure, which is among the best in the world (4th), with outstanding transport links, energy infrastructure, and communications. The health of the workforce and the quality and quantity of education are other strengths (ranked 24th for health and primary education and 24th for higher education and training). These elements have provided the basis for a business sector that is aggressive in adopting new technologies for productivity enhancements (France is ranked 17th for technological readiness). In addition, the country's business culture is highly professional and sophisticated (21st in the business sophistication pillar), buttressing its good position in innovation (19th in the innovation pillar, particularly in certain science-based sectors) and bolstered by a large market (8th), all of which help to boost the country's growth potential. On the other hand, France's competitiveness would be enhanced by injecting more flexibility into its labor market, which is ranked a low 116th both because of the strict rules on firing and hiring and the rather conflict-ridden labor-employer relations in the country. Its tax regime is also perceived as highly distortive to decisions to work (127th). Tentative efforts being made in these areas, if implemented with rigor, would provide an important boost to France's economic performance going forward.

Ireland is ranked 28th this year with a relatively stable performance. The country continues to benefit from its excellent health and primary education system (6th) and strong higher education and training (18th), along with its well-functioning goods and labor markets, ranked 11th and 16th, respectively. These attributes have fostered a sophisticated and innovative business culture (ranked 18th for business sophistication and 20th for innovation), buttressed by excellent technological adoption in the country (13th). Yet the country's macroeconomic environment continues to raise significant concern (134th), showing little improvement since last year. Of related and continuing concern is also Ireland's financial market (85th), although this seems to be tentatively recovering since the trauma faced in recent years, and confidence is slowly being restored.

Iceland is ranked at 31st position this year. Despite significant difficulties in recent years, Iceland continues to benefit from a number of clear competitive strengths in moving to a more sustainable economic situation. These include the country's top-notch educational system at all levels (9th and 12th in the health and primary education and higher education and training pillars, respectively) coupled with a relatively innovative business sector (27th) that is highly adept at adopting new technologies for productivity enhancements (10th). Business activity is further supported by an efficient labor market (17th) and well-developed infrastructure (17th). On the other hand, a weakened macroeconomic environment (118th) and financial markets (80th) remain areas of concern, although these have measurably improved since last year.

Estonia remains the best performer within Eastern Europe, up two places this year to 32nd. The country has an excellent educational system and highly efficient and well-developed goods and financial markets, as well as a strong commitment to advancing technological readiness. In addition, Estonia's 22nd rank in macroeconomic stability reflects its relatively well managed public finances. The country's margin ahead of the rest of the region also reflects its more flexible and efficient labor markets (12th), which continue to be rigid in other countries throughout much of Europe as a whole.

Despite the current difficult conditions, **Spain** goes up one notch in the rankings to 35th place. The country continues to leverage its traditional competitiveness strengths in terms of a world-class transport infrastructure (6th), a good use of ICTs (23rd), and—despite the high unemployment rate—a large and skilled labor force, thanks to one of the highest tertiary education enrollment rates in the world (8th). Moreover, the country has started to address some of its most pressing challenges. In the past year, Spain undertook sharp public budget cuts that will help improve its still-weak macroeconomic situation; it also implemented a series of structural reforms to improve the functioning of its goods, labor, and financial markets. The liberalization of certain services, the implementation of a labor market reform to mitigate the rigidities of a dual labor market, and the restructuring of the banking system are all measures aimed at improving the efficiency in the allocation of resources, whose full effects are likely to become more visible in the medium term. As a result of these and other measures at the European level, the country has obtained access to international financing markets at a more affordable cost than it had at the time the previous edition of this *Report* was released. However, this situation has not translated in an improvement in access to financing for local firms—which still suffer from an important credit crunch—to upgrade or transform their production facilities. Access to financing is regarded as the most problematic factor for doing business, and the country ranks very low in terms of the ease of accessing loans (138th) or other sources of financing, either through equity markets (101th) or venture capital (105th). In addition, the reduction of both public and private budgets for research and innovation could hamper the capacity of local firms to innovate (57th) and contribute to the economic transformation of the country. Addressing these weaknesses will be crucial in order to bridge the competitiveness gap with Northern European economies the country continues to suffer.

Poland is ranked 42nd, with a relatively stable performance since last year and a fairly even performance across all 12 pillars of competitiveness. Notable strengths include its large market size (20th) and high educational standards, in particular its high enrollment rates (it is ranked 18th on the quantity of higher education subpillar). The financial sector is well developed (38th), and banks are assessed as more sound than they were only four years ago, although additional strengthening will be necessary, given the country's still mediocre 54th rank on this indicator. Further enhancing competitiveness will require a significant upgrading of transport infrastructure, which trails international standards by a considerable margin (ranked 92nd). Although some progress has been made over the past few years in this area in the context of the European Football Championships in 2012, it is not sufficient to create the step change necessary to better connect the different parts of the country. The business sector remains very concerned about some aspects of the institutional framework, including the government inefficiencies (121st)—in particular the high burden of government regulation (133rd). As Poland transitions to the innovation-driven stage of development, it will have to focus more strongly on developing capacities in R&D and business sophistication. Stronger R&D orientation of companies, easier access to venture capital, and intensified collaboration between universities and the private sector would help the country to move toward a more future-oriented development path.

Turkey falls by one position to 44th, following its significant improvement last year. The macroeconomic environment has deteriorated slightly, with a rising fiscal deficit and inflation nearing double digits, although the situation remains better than in many other European economies. Turkey's vibrant business sector derives important efficiency gains from its large domestic market (ranked 16th), which is characterized by intense local competition (15th). Turkey also benefits from its reasonably developed infrastructure (49th), particularly roads and air transport, although ports and the electricity supply require additional upgrading. In order to further enhance its competitiveness, Turkey must focus on building up its human resources base through better primary education and healthcare (59th) and higher education and training (65th), increasing the efficiency of its labor market (130th), and reinforcing the efficiency and transparency of its public institutions (58th).

The Czech Republic falls by seven places this year to 46th position. Concerns remain about the quality of the country's public institutions, with public trust in politicians ranked an extremely low 146th, ahead of only Argentina and Lebanon globally. The macroeconomic environment has worsened slightly with rising deficits and debt, although (at 55th) it remains more stable than in much of the rest of Europe. Czech businesses are relatively sophisticated and innovative, buttressed by a strong uptake of new technologies. The country's competitiveness would be further enhanced by improvements to the educational system and by injecting greater flexibility into the labor market.

After a slight improvement last year, **Italy** falls back seven places to 49th position this year, with a deterioration across the board and with the lack of clear political direction over the past year increasing business uncertainty and weighing down on the country's competitiveness. Italy continues to do well in some of the more complex areas measured by the GCI, particularly the sophistication of its businesses, where it is ranked 27th, producing goods high on the value chain with one of the world's best business clusters (2nd). Italy also benefits from its large market size—the 10th largest in the world—which allows for significant economies of scale. However, Italy's overall competitiveness performance continues to be hampered by some critical structural weaknesses in its economy. Its labor market remains extremely rigid—it is ranked 137th for its labor market efficiency, hindering employment creation. Italy's financial markets are not sufficiently developed to provide needed finance for business development (124th). Other institutional weaknesses include high levels of corruption and organized crime and a perceived lack of independence within the judicial system, which increase business costs and undermine investor confidence—Italy is ranked 102nd overall for its institutional environment. Greater political stability in the country and stronger efforts to address structural rigidities are critical for boosting the country's competitiveness. The institutional reforms that are presently being proposed by the government would be an important step toward addressing some of these challenges.

Kazakhstan improves by one position to rank 50th this year. The country benefits from a flexible and efficient labor market (15th) and a stable macroeconomic environment (23rd) at a time when many countries are struggling in these areas. Kazakhstan's main challenges relate to its health and primary education systems (97th), its lack of business sophistication (94th), and its low innovation (84th).

Portugal continues to fall in the rankings, coming in at 51st place, two places down since last year. An unstable macroeconomic environment (124th), similar to other Southern European economies; a certain loss of trust in politicians (77th) and in government efficiency (116th); and, above all, increasing difficulties in accessing financing—either through the equity market (108th) or loans (121st)—have contributed to this drop. Despite this slight decline, the country is striving to regain productivity and competitiveness by increasing liberalization of the markets and labor market reforms. These are expected to bear fruit in the medium term, helping the country bridge the competitiveness divide with other European economies. In this effort, Portugal will be able to leverage its world-class transport infrastructure (19th) and its well-prepared labor force thanks to high levels of university education (26th), although it must be said that the quality of this education (58th) is not always in line with the productive needs of the country. In addition to the recently undertaken reforms, the country should not neglect strengthening its innovation potential through efficient investments in science, technology, and other intangible assets, such as advanced management techniques. These factors will be crucial in allowing the Portuguese economy to move toward higher-value-added activities.

The **Russian Federation,** at 64th place, improves by three positions since last year. The country's macroeconomic environment has continued to improve—up from 44th two years ago to 19th this year because of low government debt and a government budget that has maintained a surplus. Other strengths include its high level of education enrollment, especially at the tertiary level; its fairly good infrastructure; and its large domestic market (8th), all of which represent areas that can be leveraged to improve Russia's competitiveness. On the other hand, the country continues to receive a poor assessment of its public institutions (118th) and shows a lack of innovation capacity (78th). Russia suffers from inefficiencies in the goods (126th), labor (72nd), and financial (121st) markets. The weak level of competition (135th)—caused by inefficient anti-monopoly policies (116th) and high restrictions on trade and foreign ownership as well as a lack of trust in the financial system (132nd)—contributes to this inefficient allocation of Russia's vast resources, hampering higher levels of productivity in the economy. Moreover, as the country moves toward a more advanced stage of economic development, its lack of business sophistication (107th) and low rates of technological adoption (127th) will become increasingly important challenges for its sustained progress.

After improving somewhat last year, **Ukraine** falls back by 11 places to 84th position in this year's GCI. Overall, Ukraine maintains its competitive strengths. These result from its large market size (38th) and a solid educational system that provides easy access to all levels of education (ranked 43rd on higher education and training and 57th on primary education). Putting economic growth on a more stable footing in future will require Ukraine to address important challenges. Arguably, the country's most important challenge is the needed overhaul of its institutional framework, which suffers from red tape, a lack of transparency, and favoritism. Ukraine could realize further efficiency gains from instilling more competition into its goods and services markets (124th) and continuing the reform of its financial and banking sector (117th).

This year **Greece,** after falling over the past several years, improves in the rankings to 91st place. Although it remains the lowest-ranked country of the European Union and the results in the macroeconomic environment pillar continue to raise concern (second to last at 147th position this year), Greece has started to show improvements in a number of other areas, perhaps indicating that the reform efforts are beginning to bear fruit. Slight improvements are seen in the country's institutional environment, the efficiency of its labor markets, and technological adoption, although continued efforts in these areas are still needed. Although some progress is being made, public institutions (e.g., government efficiency, corruption, undue influence) continue to receive a poor evaluation (102nd) and confidence has not returned to financial markets in the country (138th). The country's inefficient labor market (127th) continues to constrain Greece's ability to emerge from the crisis, although this has improved somewhat since last year, perhaps reflecting recent efforts to increase both the retirement age and labor market flexibility. In working to overcome its present difficulties, Greece has a number of strengths on which it can build, including a reasonably well educated workforce that is adept at adopting new technologies for productivity enhancements. With continued efforts toward growth-enhancing reforms, there is every reason to believe that Greece will continue to improve its competitiveness in the coming years.

Asia and the Pacific

The competitiveness landscape in Asia and the Pacific remains very mixed. The region is home to some of the most competitive nations, including three members of the top 10 (Singapore, Hong Kong SAR, and Japan) and some of the most dynamic and rapidly improving economies in terms of competitiveness, such as Indonesia and the Philippines. On the other hand, a number of Asian countries, including Pakistan and Timor-Leste, have been unable to improve their competitiveness. This year, we cover three new Asian countries: Bhutan (109th), Lao PDR (81st), and Myanmar

(139th). With the latter two additions, the GCI now offers a full coverage of the Association of Southeast Nations (ASEAN) and its 10 members.

Advancing one position, **Taiwan (China)** ranks 12th this year with a score of 5.3. Its performance has been very stable and consistently strong over the past five years. Notable strengths include the capacity of Taiwanese businesses to innovate (8th), its highly efficient goods markets (7th), and its world-class primary education (9th) and higher education (11th). In order to enhance its competitiveness, Taiwan will need to further strengthen its institutional framework (26th), whose quality is undermined by some inefficiency within the government (28th) and various forms of corruption (30th), and will also need to address some inefficiencies and rigidities in its labor market (33rd).

This edition marks the first time that **Australia** (21st, down one) exits the top 20 and is overtaken by **New Zealand** (18th), which jumps five places. Australia delivers a consistent—and essentially unchanged—performance across the board, the highlight of which is its 7th rank in the financial market development pillar, the only pillar where it features in the top 10. The country also earns very good marks for higher education and training, placing 15th. Australia's favorable macroeconomic situation is improving further (25th, up one place). Its budget deficit was reduced in 2012 and inflation brought to under 2 percent, while the public debt-to-GDP ratio, though on the rise, is the third lowest among advanced economies, behind only Estonia and Luxembourg. The main area of concern for Australia is the rigidity of its labor market (54th, down 12), where the situation has deteriorated further. Australia ranks 137th for the rigidity of the hiring and firing practices and 135th for the rigidity of wage setting. The quality of Australia's public institutions is excellent except when it comes to the burden of government regulation, where the country ranks a poor 128th. Indeed, the business community cites labor regulations and bureaucratic red tape as being, respectively, the first and second most problematic factor for doing business in their country.

Malaysia advances one position to 24th. Second among ASEAN countries, behind Singapore, Malaysia ranks no lower than 51st in any of the 12 pillars of the GCI and features in the top 10 of two of them. Its most notable advantages are its efficient and competitive market for goods and services (10th), its well-developed and sound financial market (6th), and its business-friendly institutional framework (29th). In a region plagued by corruption and red tape, Malaysia stands out as one of the very few countries that have been relatively successful at tackling these two issues, as part of its economic and government transformation programs. The country, for instance, ranks an impressive 8th for the burden of government regulation, although the score differential with the leader, Singapore, remains large. Malaysia ranks a satisfactory 33rd in the ethics and corruption component of the Index, but room for improvement remains. Furthermore, Malaysia ranks 15th for the quality of its transport infrastructure, a remarkable feat in this part of the world, where insufficient infrastructure and poor connectivity are major obstacles to development for many countries. Finally, Malaysia's private sector is highly sophisticated (20th) and already fairly innovative (25th). All this bodes well for a country that aims to become a high-income, knowledge-based economy by the end of the decade. Amid this largely positive assessment, the government budget deficit, which represented 4.3 percent of GDP in 2012 (103rd); the low level of female participation in the workforce (121st); and the still comparatively low technological readiness (51st) stand out as some of Malaysia's major competitive weaknesses.

The **Republic of Korea** drops six positions to 25th. Its performance is uneven across the different dimensions of the Index. Korea possesses a remarkably sound macroeconomic environment (9th, second only to Norway among OECD countries). The country also boasts excellent infrastructure (11th) and educational systems. Enrollment rates at all levels of education are among the highest in the world (Korea has the highest tertiary enrollment in the sample, with a 103 percent gross rate of enrollment). These factors, combined with the country's high degree of technological adoption (22nd) and relatively strong business sophistication (24th), contribute to explaining the country's remarkable capacity for innovation (17th). However, Korea's assessment is considerably weakened by the average quality of its public and private institutions (74th, down 12 positions), the extreme rigidity and the inefficiencies of its labor market (78th), and its poorly functioning financial market (81st). Korea falls sharply in those three areas, and without tackling these issues decisively, the country will not be able to close the competitiveness gap with the three other Asian Tigers.[2]

China remains stable at 29th position this year. The country posts small gains in certain areas of the Index but loses ground in others, resulting in an overall performance virtually unchanged since last year. China leads the BRICS economies by a wide margin, well ahead of South Africa (53rd), Brazil (56th), India (60th), and Russia (64th).[3] The Chinese institutional framework is improving slightly (47th), but weaknesses—including corruption (68th), security issues (75th), and low levels of accountability (82nd) and ethical standards (54th) among businesses—remain. In addition, problems endure in those areas that are becoming increasingly important for China as it becomes wealthier and can no longer rely on cheap labor: its financial market (54th) is undermined by the relative fragility of the banking sector; technological adoption by firms (86th) and by the population at large (79th) remains very low; and the efficiency of its goods market (61st) is seriously undermined by various barriers to entry and investment rules, which greatly limit competition.

On a more positive note, China's macroeconomic situation remains favorable (10th). Inflation was back down to below 3 percent in 2012 (from 5.4 percent the previous year), the budget deficit is moderate, China's public debt-to-GDP ratio at 22.9 percent is among the lowest in the world, and the gross savings rate represents a staggering 50 percent of GDP. However, this rate is probably too high in light of the need for China to rebalance its economy away from investment and toward more consumption. Although China receives good marks in health and basic education (40th), the assessment is more negative when it comes to higher education (70th) because of China's low tertiary education enrollment, the average quality of teaching, and an apparent disconnect between educational content and business needs (54th). Finally, China's innovation capacity has been improving recently, but much remains done for it to become an innovation powerhouse.

Posting a one-notch gain for the second year in a row, **Thailand** ranks 37th as a result of a very small improvement in its performance, but the competitiveness challenges remain considerable. Political and policy instability, excessive red tape, omnipresent corruption and clientelism, security concerns, low reliability and high uncertainty around property rights protection seriously undermine the quality of Thai public institutions (85th). Poor public health (74th) and education, two other critical building blocks of competitiveness, require urgent attention. For instance, Thailand displays one of the highest HIV prevalence rates outside Africa, while enrollment in and the quality of higher education remain abnormally low.

Turning to more sophisticated areas, which are just as important given Thailand's stage of development, technological readiness remains low (78th) when considering technologies beyond mobile telephony. Only a quarter of the population accesses the Internet on a regular basis, and only a small fraction does so at broadband speeds, but the growth is rapid. On a more positive note, Thailand ranks high on the macroeconomic environment pillar (31st, its best showing among the 12 pillars) owing to a very favorable fiscal situation, its high savings rate, an inflation rate under control at around 3 percent, and—in international comparison—a relatively good debt-to-GDP ratio of about 44 percent in 2012. In addition, the county continues to improve in the financial development (32nd) and the market efficiency pillars (34th), having progressed 17 and 10 places, respectively, in the past four years. Room for improvement remains, however, especially when it comes to promoting domestic competition (60th).

After three years of gradual decline, **Indonesia** (38th) bounces back, posting one of the largest improvements in this year's rankings. This positive development will contribute to sustaining Indonesia's impressive growth momentum—GDP grew by 5.2 percent annually over the past decade. The country progresses in 10 of the 12 pillars of the Index, but its overall performance remains uneven. Indonesia improves the most in the infrastructure pillar, where it leapfrogs 17 places to 61st. After years of neglect, Indonesia has been boosting infrastructure spending to upgrade roads, ports, water facilities, and power plants, and our results suggest that these improvements have started to bear fruit. The efficiency of its labor market (103rd) has also improved considerably, although from a very low base. Rigidities in terms of wage setting and hiring and firing procedures, along with the weak participation of women in the workforce (115th), continue to undermine Indonesia's performance in this pillar. But the quality of public and private institutions is improving (67th, up 5), with all indicators pointing in the right direction in this category. In particular, Indonesia ranks a satisfactory 45th in government efficiency and 54th for undue influence. The two main dark spots in this pillar remain bribery (106th) and security (104th). The country's macroeconomic environment (26th) is characterized by a very small deficit (equivalent to 1.3 percent of GDP) and gross government debt representing 24 percent of GDP (30th), an inflation rate that is low by historical standards, and a savings rate exceeding 30 percent of GDP. Turning to the more sophisticated drivers of competitiveness, Indonesia's technological readiness is also improving (75th, up 10), led by the private sector, which is increasingly aggressive in adopting the latest technologies (51st, up 13). The use of ICTs by the population at large remains comparatively low, but this is spreading rapidly (84th, up seven). One of the few areas where the situation has deteriorated is health (103rd). In particular, the incidence of communicable diseases and infant mortality rate are among the highest outside sub-Saharan Africa.

Advancing six positions, the **Philippines** ranks 59th overall. The trends are positive across most dimensions of the Index. In the institutions pillar (79th), the Philippines has leapfrogged over the past years. The current government, which came into power in 2010, has made the fight against corruption an absolute priority; corruption had historically been one of the country's biggest drags on competitiveness. There are signs that these efforts are producing results: in the ethics and corruption category, the country has jumped from 135th in 2010 to 87th this year. A similar trend has been observed in the government efficiency category (75th) and elsewhere in the Index. But improvements are coming from such a low base that the country cannot afford to be complacent. For instance, transport infrastructure has improved but remains in a dire state (84th), especially with respect to airport (113th) and seaport facilities (116th). Similarly, the labor market has become more flexible and efficient over the years, but the Philippines still ranks a low 100th. The recent successes of the government in tackling some of the most pressing structural issues are encouraging and proof that bold reforms and measures can yield positive results.

Down one position, **India** now ranks 60th, continuing its downward trend that began in 2009. With a GCI score essentially unchanged since then, India has been overtaken by a number of countries. Once ahead of Brazil and South Africa, it now trails them by several places and is behind China by a margin of 31 positions, while Russia (64th) has almost closed the gap. India continues to be penalized for its very disappointing performance in the basic drivers underpinning competitiveness, the very ones that matter the most for India given its stage of development. The country's supply of transport, ICTs, and energy infrastructure remains largely insufficient and ill-adapted to the needs of the economy (85th), despite the steady improvement that has been made since 2006. The Indian business community repeatedly cites infrastructure as the single biggest hindrance to doing business, ahead of corruption and cumbersome bureaucracy. Notwithstanding improvements across the board over the past few years, very poor public health and education levels (102nd) remain a prime cause of India's low productivity. The quality of higher education is better, but enrollment rates at that level remain very low, even by developing-country standards. Turning to the country's institutions (72nd, down two places), discontent within the business community remains high about the lack of reforms and the perceived inability of the government to push them through. Public trust in politicians has been eroding since 2009 and has now reached an all-time low at 115th, while bribery remains deeply rooted (110th). Indeed, India has lost almost 30 ranks on this indicator since 2010. Meanwhile, the situation has deteriorated further on the macroeconomic front, with India now 110th in this pillar. The inflation rate and public deficit-to-GDP ratio were dangerously close to double digits in 2012, and the debt-to-GDP ratio is the second highest among the BRICS. Indeed, a March 2013 survey of sovereign debt analysts reveals an increased risk of sovereign debt default over the previous year. Another major concern is the country's low level of technological readiness (98th). Although businesses adopt new technologies relatively promptly (47th), penetration rates of fixed and mobile Internet and telephony among the population remain among the lowest in developing Asia. Furthermore, the situation has worsened in terms of labor market efficiency (99th), where the most salient problem remains the dismally low participation of women in the workforce. With a ratio women-to-men of 0.36 (137th), India has the lowest percentage of working women outside the Arab world.

Up five positions, **Vietnam** ranks 70th, regaining half of the ground it lost last year. This progression is mainly the result of a slightly better macroeconomic environment (87th, up 19 positions)—after jumping to almost 20 percent, inflation was back to single-digit levels in 2012—and improvements to the quality of transport and energy infrastructures, albeit from a very low base (82nd, up 13). Vietnam also advances in the goods market efficiency pillar (74th, up 17), thanks to lower trade barriers and a less heavy tax rate on businesses Despite these encouraging developments, the foundation of Vietnam's economy and prosperity remain fragile. The country ranks no higher than 57th in any of the pillars except the market size pillar (36th). It loses ground in several areas of the Index, including labor market efficiency (56th, down five) and financial market development (93rd, down five). Another area of concern is technological readiness (102nd, down four): although new technologies are spreading among the population, Vietnamese businesses are particularly slow to adopt the latest technologies for their business use (128th), thus forfeiting significant productivity gains through technological transfer.

Mongolia falls to 107th position this year, almost entirely the result of a significant deterioration of its macroeconomic environment (130th) as captured by data from the IMF. In 2012, Mongolia's budget deficit doubled to 7 percent of GDP, inflation surged to 15 percent, the gross savings rate plummeted to 28 percent of GDP, and public debt increased slightly. The country's performance in most other dimensions of the Index remains stable, suggesting that a great deal remains to be done for Mongolia to live up to its significant economic potential. In order to create opportunities for its citizens and build up the confidence of businesses and investors, the country must urgently upgrade its institutional framework (113th), develop its transport and energy infrastructure (113th), improve the functioning and efficiency of its goods markets (96th), establish clear rules for foreign investment, and develop its fledgling financial sector (129th).

Dropping a further nine places, **Pakistan** ranks 133th overall. Its performance continues to deteriorate in some of the most critical and basic areas of competitiveness. Pakistan's public institutions (126th) are crippled by inefficiencies, corruption, patronage, and lack of property rights protection. The security situation, already alarming, is worsening, with violence and terrorism taking a huge toll not only on the population, but also on businesses. The macroeconomic situation is also worrisome (145th). In 2012, the public deficit widened to near 10 percent of GDP, inflation remains in double-digit territory, and the savings rate dwindled to just 10 percent of GDP. Pakistan's infrastructure

(121st)—particularly for electricity (135th)—remains in a dire state. Moreover, the country displays some of the lowest education enrollment rates in the world and basic education is poor (137th). Pakistan's competitiveness is further penalized by the many rigidities and inefficiencies of its labor market (138th, down eight), with female participation in the labor force among the lowest in the world (144th). Finally, the potential of ICTs is not sufficiently leveraged in Pakistan, where access to ICTs remains the privilege of a few (118th). On a slightly more positive note, Pakistan does comparatively better in the more advanced areas captured by the GCI. It ranks 67th in the financial development pillar, 85th business sophistication pillar, and 77th in innovation.

Myanmar enters the rankings at 139th among 148 economies, right behind Timor-Leste (138th). After decades of political and economic isolation, the March 2011 elections have brought profound changes to the country. The government has embarked on an ambitious process of reforms to improve the country's economic landscape and prospects, notably by leveraging Myanmar's extraordinary assets, which include an abundance of natural resources, very favorable demographics, and a strategic location at the heart of Asia. Competitiveness is at the core of this strategy. Indeed, the government's *Framework for Economic and Social Reforms*, which sets the policy priorities through 2015, mirrors the 12 pillars of the GCI, thus making the Index a useful tool to monitor progress.

The country's performance in the GCI confirms that it is starting from a very low base and that the road toward prosperity will be long and dauntingly arduous. Myanmar owes its presence at the very bottom of the GCI rankings to major weaknesses across the board. The country ranks 111th or worse in 10 of the 12 pillars of the Index, and is among the 10 worst performers in seven pillars. The two exceptions are the market size pillar (79th) and labor market efficiency pillar (98th). Given the extent of the task ahead, and in order to have the biggest impact in creating a more conducive environment for business to flourish, Myanmar needs to focus on the basic determinants of its competitiveness, namely the institutional framework (141st), transport, energy, and communication infrastructures (141st), health and primary education (111th), and the banking sector, as well as access to technology. Myanmar is among the world's least connected countries and ranks last (148th) in the technological readiness pillar of the Index. There are just 11 mobile subscriptions for every 100 population, compared with 80 for developing Asia; only 1 percent of the population accesses the Internet on a regular basis; broadband access is almost nonexistent; and firms are extremely slow at adopting technologies for doing business (148th).

Latin America and the Caribbean

In 2012, Latin America and the Caribbean grew by 3 percent, a slower pace than in previous years. Despite this moderate deceleration, the region has exhibited resilience with a projected growth rate of 3 percent for 2013 and 3.4 percent for 2014, outperforming other regions in the world, especially advanced economies. A recovery in several export markets and robust internal demand based on fairly good access to financing are driving this growth.

Notwithstanding this positive economic outlook, the region continues to suffer from low levels of productivity and slow productivity growth rates.[4] Overall, after a few years of general improvement, the results of this edition of *The Global Competitiveness Report* show that most countries are stagnating in their competitiveness performance. These results point to a certain exhaustion of the traditional sources of competitiveness gains utilized by several countries in past years. These gains were based on sound macroeconomic management, improvements in credit conditions, and, in certain cases, better functioning of the goods, labor, and financial markets.

In order to support the transition of Latin America toward higher productivity levels, urgent actions will be needed to improve the functioning of the institutions; the quality of infrastructure; the allocation of production factors through enhanced competition; and, very importantly, the skills, technology, and innovation base. This will require a series of overdue reforms that have been repeatedly postponed, along with significant and sustained investments to support the rapid economic growth of the past years.

Chile, at 34th, one position down from last year, remains the most competitive economy in Latin America. The country owes this privileged position to its traditional strengths: a strong institutional setup (28th) with low levels of corruption (26th) and an efficient government (18th); solid macroeconomic stability (17th) with a balanced public budget and low levels of public debt; and well-functioning markets with high levels of domestic competition (32nd) and openness to foreign trade (29th), which allows for an efficient allocation of available resources. In addition, Chile has made great efforts to develop ICTs, almost doubling its international Internet bandwidth capacity from 20 to 40 kb/s per user (43rd) over the past year and expanding its number of Internet users (45th). Notwithstanding these strengths, the lack of substantive progress in the recent GCI rankings suggests a certain stagnation in the country's competitiveness model and the need to tap into new sources of productivity gains in order to diversify its economy and move toward higher-value-added activities. Important weaknesses in the educational system, notably in terms of its quality (74th)—especially in math and science (107th)—do not provide companies with a workforce with the necessary skills to upgrade their production or embark on innovative projects. This, linked to low innovation investments, especially in the private sector (58th), result in an overall poor innovation capacity (63rd), which can jeopardize Chile's necessary transition toward a knowledge-based economy.

After three years of sharp rises in the competitiveness rankings, **Panama** consolidates its position at 40th place as the most competitive economy in Central America, and second in Latin America, behind Chile. In the past year, Panama has continued to improve its competitiveness edge by reinforcing its strengths. The country has been relentlessly improving its infrastructure (37th), with one of the best port (6th) and airport (5th) networks, closely aligning with its overall economic development strategy of becoming a major transport hub for the region. Its financial market (16th) and an assessment of its technological adoption (11th) are also persistently improving, especially via foreign multinational corporations setting up operations in the country. In addition, Panama has also made progress in addressing some of its most pressing challenges, notably in terms of improving the quality of education, where it has moved to 75th place from 112th last year. Notwithstanding these positive dynamics, the country still faces important challenges in terms of strengthening the functioning of its institutions (66th), fighting corruption (80th) and crime (115th), and improving trust in politicians (94th) and the independence of the judiciary system (118th). Also important will be to continue improving the quality of education, notably in terms of math and science (114th), which will be necessary in order to better develop local technological capacity.

Despite a slight improvement in score, **Barbados** falls three positions in the rankings to 47th place. This drop is driven by the persistence of the credit crunch that is hindering the capacity of local businesses to finance their activities by raising new equity (92nd), loans (89th), or venture capital (98th) to support innovative projects. In addition, and closely related to this concern, macroeconomic conditions (121st), although slowly improving, are still worrisome, and the capacity to innovate remains low (81st). On a more positive note, Barbados continues to benefit from a fairly skilled labor force thanks to a high-quality educational system (6th) and high enrollment rates in secondary (23rd) and tertiary education (33rd), well-functioning institutions (30th), and solid infrastructure (24th).

Costa Rica continues to rise in the rankings this year, improving three positions to 54th place. Although the competitiveness profile of the country remains fairly stable, slight improvements in its innovation capacity (37th) have driven this progress. Overall, the country continues to benefit from a fairly open economy (44th) and strong institutions (50th), despite rising concerns about the wastefulness of government spending (114th) and fairly high costs associated with crime and violence (106th). It also has a high-quality educational system (20th) that provides a skilled labor force, as well as a relatively high rate of technological adoption (36th) and business sophistication (31st). Notwithstanding these strengths, Costa Rica still suffers from poor transport infrastructure (110th); difficulty in accessing finance, either through equity (118th) or loans (106th), and from an only moderate capacity to innovate (37th), which will be crucial for the country's economy to move up toward higher-value-added activities.

Mexico depicts a stable competitiveness profile this year, and is ranked 55th overall. The country continues to benefit from a relatively stable macroeconomic environment (49th), a sound banking system (30th), a large and deep internal market allowing for important economies of scale (11th), reasonably good transport infrastructure (39th), and a number of sophisticated businesses (55th), particularly for a country at its stage of development. At the same time, under the political consensus achieved through the *Pacto for Mexico* agreements, the country has started to undertake some important and long-overdue reforms in the labor market and education. Moreover, further reforms in the goods and service market intended to increase levels of competition in key strategic sectors, notably in the energy sector, are foreseen before the end of the year. A full and efficient implementation of these reforms after a period of political transition is expected to improve some of the most pressing challenges the country currently faces in terms of domestic competition (100th), a skills gap due to a poor-quality educational system (119th), and labor market rigidities (99th). In addition, the competitiveness agenda for Mexico must include actions oriented toward strengthening the functioning of its institutions, notably in the fight against corruption (99th), and increasing the level of security (135th). To support its transition toward higher-value-added economic activities, it will be critical to foster the use of ICTs (83rd) and boost its innovation capacity (75th), which remain low.

Brazil comes in at 56th place this year. A slight deterioration in some of the macroeconomic indicators (75th), a tightening of access to financing, and the lack of sufficient progress in some of the most pressing challenges the country faces has driven this drop. More precisely, the functioning of institutions (80th), with increasing concerns about government efficiency (124th), corruption (114th), and low trust in politicians (136th) persist as a source of concern. Moreover, the lack of progress in improving the quality of overall infrastructure (114th) and education (121st), coupled with an economy fairly closed to foreign competition (144th), also hinder Brazil's competitive edge. Notwithstanding these challenges, the country still benefits from important strengths, especially its large market size and its fairly sophisticated business community (39th), with pockets of innovation excellence (36th) in many research-driven, high-value-added activities. Going forward, Brazil should not delay the necessary reforms to boost its competitiveness, and should further leverage its numerous and important strengths.

Peru remains stable at 61st place following a strongly positive trend that led the country up in the rankings more than 20 places in recent years. The results suggest a consolidation of the competitiveness profile of the country and a certain exhaustion of the sources of competitiveness gains of the past years: a very strong macroeconomic performance (20th) and high levels of efficiency in the goods (52nd), financial (40th), and labor (48th) markets, despite some rigidity in the hiring and firing practices (129th). In order to move forward and continue advancing up the rankings, Peru will have to address some of its most long-lasting challenges by strengthening the robustness of its public institutions (124th) by increasing government efficiency (107th), fighting corruption (109th), and improving infrastructure (91st). In addition, poor educational quality (134th) has generated a deep skills gap in the economy. Coupled with a low capacity to innovate (106th) caused by limited R&D investment (124th) and a weak scientific research system (119th), this hinders Peru's capacity to diversify its economy and move up toward new, more knowledge-rich activities.

As in the past two years, **Colombia,** at 69th place, presents a very stable competitiveness profile with results similar to those of previous editions of this *Report* across all dimensions. The country continues to exhibit very positive macroeconomic conditions (33rd), with a balanced public budget, low levels of public debt and inflation that is under control at around 3 percent, financial services that are relatively sophisticated by regional standards (52nd), a considerable market size (31st), and fairly high levels of education enrollment compared with those of other countries in the region. Notwithstanding these strengths, Colombia continues to suffer from weak institutions (110th) and considerable corruption. The country's low-quality transport infrastructure (111th) is largely the result of a complex topography. Moreover, despite the rapid economic growth from high oil revenues in recent years, the need to diversify its economy will require improving the quality of the educational system (86th), which does not yet respond to the productive needs of an increasingly sophisticated business environment, and its innovation capacity (83rd), which is pulled down by low private R&D investment (73rd) and the poor quality of scientific research institutions (95th).

Close behind Colombia, **Ecuador** at 71st place improves by 15 places in the ranking. Major advances in infrastructure development (79th), education quality (62nd), and innovation (58th) have resulted in this positive result, although these areas remain challenging. In addition, despite a low country credit rating (121st), Ecuador benefits from stable macroeconomic conditions (44th) that has facilitated access to finance through equity (54th) and loans (31st), allowing local companies to undertake investment projects. In spite of this positive trend, the country still faces significant challenges that are hindering its competitiveness potential. Notably, the functioning of institutions is still weak (92nd): concerns about a lack of independence within the judicial system (100th) create mistrust in the overall legal framework. The inefficient functioning of the goods (106th), labor (111th), and financial (89th) markets because of insufficient competition, as well as high rigidities and mistrust in the banking system, remain problematic.

In the bottom half of the rankings, we find a series of Central and South American economies. In Central America, **Guatemala** (86th) follows Panama and Costa Rica in the subregional rankings. Despite fairly well-functioning goods (66th) and financial (43rd) markets, thanks to its openness to trade and a sound banking system (17th), the country continues to suffer from security-related and corruption costs that hinder the functioning of institutions. In addition, the combination of a poorly performing educational system (35th) and a scientific (107th) and digital gap (106th), even with increasing efforts to raise the information technology profile of the country, persist in hindering the national capacity to move toward higher-value-added activities. **El Salvador** (96th) and **Nicaragua** (99th), rising four and nine positions, respectively, thanks to some improvements in their innovation capacity, albeit from a low base, follow Guatemala, while **Honduras** plummets 21 positions to 111th place.

In South America, **Bolivia** improves its competitiveness performance by six notches to 98th place, while Uruguay, Argentina, **Paraguay** (119th), and Venezuela drop in this edition of the rankings.

Uruguay drops 11 positions to 85th place, the result of a combined series factors that include a deterioration in macroeconomic conditions (85th), with a high inflation rate that is affecting the access to financing in the country, restrictive labor conditions (139th), and weaknesses in the quality of education (120th) and capacity to innovate (88th). These latter factors are gaining importance in Uruguay as the country moves toward more advanced stages of development, where the need for a skilled labor force and higher innovation capacity become more crucial for increasing the productivity of the national economy. Notwithstanding these weaknesses, Uruguay continues to leverage its strong and transparent institutional setup (36th) and its fairly high degree of digital connectivity (46th), thanks to the continued efforts to narrow the digital divide with more advanced economies.

Continuing its fall of previous years, **Argentina** drops 10 positions to 104th place. A persistent deterioration across the board—notably in the macroeconomic conditions (111th) that affect access to financing (143rd) and in the institutional framework, with one of the lowest scores in terms of corruption (145th), government inefficiency (147th), and government favoritism (146th)—have contributed to this disappointing result. These factors, coupled with inefficient goods (145th), labor (144th), and financial (133rd) markets offsets the enormous potential the country has to offer. More precisely, its relatively large market size (24th), with the potential for important economies of scale and scope, its decent digital readiness (62nd), and high university enrollment (15th) of 75 percent are not being fully utilized amid the negative framework conditions that hinder the potential of the Argentine economy.

Venezuela, immersed in a deep macroeconomic (143rd) and institutional (148th) crisis, drops eight positions to 134th place. The country's continued deterioration in most of the dimensions analyzed—notably the macroeconomic conditions, with a large public deficit and inflation rates and very weak institutions, with the poorest evaluation of government efficiency, corruption, and judicial independence among all countries—do not provide the right conditions for companies to develop their economic activity. In addition, poorly functioning goods (148th), labor (148th), and financial (135th) markets result in sub-optimal allocation of available resources and hinder the strong potential of a country with the particularly high university enrollment (13th) of 78 percent.

The Middle East and North Africa

The Middle East and North African region continues to be affected by political turbulence that has impacted individual countries' competitiveness. Economies that are significantly affected by unrest and political transformation within their own borders or those of neighboring countries tend to drop or stagnate in terms of national competitiveness. At the same time, some small, energy-rich economies in the region perform well in the rankings. This underlines the fact that, contrary to the situation found in previous energy price booms, these countries have managed to contain the effects of rising energy prices on their economies and have used the window of opportunity to embark on structural reforms and invest in competitiveness-enhancing measures.

Qatar reaffirms once again its position as the most competitive economy in the region at 13th position.[5] The country's strong performance in terms of competitiveness rests on solid foundations made up of a high-quality institutional framework (4th), a stable macroeconomic environment (6th), and an efficient goods market (3rd). Low levels of corruption and undue influence on government decisions, high efficiency of government institutions, and strong security are the cornerstones of the country's solid institutional framework, which provides a good basis for heightening efficiency. Going forward, as noted in previous editions of this *Report,* reducing the country's vulnerability to commodity price fluctuations will require diversification into other sectors of the economy and reinforcing some areas of competitiveness. As a high-income economy, Qatar will have to continue to pay significant attention to developing into a knowledge- and innovation-driven economy. The country's patenting activity remains low by international standards, at 60th, although some elements that could contribute to fostering innovation are in place. The government drives innovation by procuring high-technology products, universities collaborate with the private sector, and scientists and engineers are readily available. To become a truly innovative economy, Qatar will have to continue to promote a greater use of the latest technologies (31st), ensure universal primary education, and foster more openness to foreign competition—currently ranked at 30th, a ranking that reflects barriers to international trade and investment and red tape when starting a business.

The **United Arab Emirates** moves up in the rankings to take second place in the region at 19th. Higher oil prices have buoyed the budget surplus and allowed the country to reduce public debt and raise the savings rate. The country has also been aggressive at adopting technologies and in particular using ICTs, which contributes to enhancing the country's productivity. Overall, the country's competitiveness reflects the high quality of its infrastructure, where it ranks a solid 5th, as well as its highly efficient goods markets (4th). Strong macroeconomic stability (7th) and some positive aspects of the country's institutions—such as strong public trust in politicians (3rd) and high government efficiency (9th)—round up the list of competitive advantages. Going forward, putting the country on a more stable development path will require further investment to boost health and educational outcomes (49th on the health and primary education pillar). Raising the bar with respect to education will require not only measures to improve the quality of teaching and the relevance of curricula, but also measures to provide incentives for the population to attend schools at the primary and secondary levels.

Saudi Arabia remains rather stable with a small drop of two places to 20th position overall. The country has seen a number of improvements to its competitiveness in recent years that have resulted in more efficient markets and sophisticated businesses. High macroeconomic stability (4th) and strong, albeit falling, use of ICTs for productivity improvements contribute to maintaining Saudi Arabia's strong position in the GCI. As much as the recent developments are commendable, the country faces important challenges going forward. Health and education do not meet the standards of other countries at similar income levels.

Although some progress is visible in health and primary education, improvements are being made from a low level. As a result, the country continues to occupy low ranks in the health and primary education pillar (53rd). Room for improvement also remains on the higher education and training pillar (48th), where the assessment has weakened over the past year. Labor market efficiency also declines, to a low 70th position, in this edition. Reform in this area will be of great significance to Saudi Arabia given the growing number of young people who will enter the labor market over the next several years. More efficient use of talent—in particular, enabling the increasing share of educated women to work—and better education outcomes will increase in importance as global talent shortages loom on the horizon and the country attempts to diversify its economy, which will require a more skilled and educated workforce. Last but not least, although some progress has been recorded recently, the use of the latest technologies can be enhanced further (41st), especially as this is an area where Saudi Arabia continues to trail other Gulf economies.

Israel drops by one to place 27th in this year's GCI. The country's main strengths remain its world-class capacity for innovation (3rd), which rests on highly innovative businesses that benefit from the presence of some of the world's best research institutions geared toward the needs of the business sector. Israel's excellent innovation capacity, supported by the government's public procurement policies, is reflected in the country's large number of patents (6th). Its favorable financial environment, particularly evident in the ease of access to venture capital (8th), contributes to making Israel an innovation powerhouse. Challenges to maintaining and improving national competitiveness relate to the need for the continued upgrading of institutions (40th) and a renewed focus on raising the bar in terms of the quality of education. If not addressed, poor educational outcomes—particularly in math and science (78th)—could undermine the country's innovation-driven competitiveness strategy over the longer term. As in previous years, the security situation remains fragile and imposes an increasingly high cost on business (83rd). Room for improvement also remains with respect to the macroeconomic environment (72nd), where increased budgetary discipline with a view to reducing debt levels (123rd) would help the country maintain stability and support economic growth going into the future.

Jordan loses four positions to 68th rank after a significant improvement in the previous year. The drop mainly reflects the country's macroeconomic challenges. The economic crisis resulted in wider fiscal deficits and higher public debt levels that will undermine growth over the medium term if they remain unaddressed. Boosting growth over the longer term to levels that would result in sustainable job creation will require Jordan's policymakers to address a number of challenges. Stabilizing the macroeconomic environment should be accompanied by growth-enhancing structural reforms. According to the GCI, there is significant room for improvement in boosting labor market efficiency (101st), and the full potential of ICTs for improving productivity has not yet been exploited (90th). Jordan could also benefit from more openness to international trade and investment, which would trigger efficiency gains in the domestic economy as well as the transfer of knowledge and technology. Tariff barriers remain high in international comparison (108th) and regulatory barriers to FDI remain in place (72nd). And although financing appears to be more easily available than in many other countries (Jordan comes in at 34th on ease of access to loans) efforts to further stabilize the banking sector should be continued (114th).

Tunisia places 83rd in this year's *Report.* The country's positioning reflects the important challenges Tunisia will have to tackle in order to put its economy onto a sustainable growth path and resolve its daunting unemployment problem. The country's macroeconomic fundamentals need to be brought back on track by narrowing the budget deficit and further reducing inflation. Ensuring that the labor market contributes to more efficiently using talent is crucial to raising competitiveness. The country currently ranks very low at 132nd overall on the labor market efficiency pillar. At the same time, financial markets do not efficiently fulfill their role in providing the business sector with financial means to grow. Moreover, the banking system needs to be stabilized further to build trust and confidence, which at present is ranked a low 129th.

Egypt drops by 11 positions to reach 118th place in this year's GCI. This assessment is likely influenced by the country's continued transition since the events of the Arab Spring. The deteriorating security situation and tenacious political instability are undermining the country's competitiveness and its growth potential going forward. Although resolving political friction needs to remain the priority as this *Report* goes to print, many of the underlying factors that will be decisive about the sustainability of the country and the cohesion of the society over the medium to longer term are economic in nature. Establishing confidence through a credible and far-reaching reform program will be vital to the country's future and to realizing the considerable potential of the country's large market size and proximity to key global markets. According to the GCI, three areas are of particular importance. First, the macroeconomic environment has deteriorated over recent years to reach 140th position mainly because of widening fiscal deficit, rising public indebtedness, and persisting inflationary pressures. A credible fiscal consolidation plan, accompanied by structural reforms, will be necessary in order to maintain macroeconomic stability in the country. This may prove difficult in times of rising energy prices, as energy subsidies account for a considerable share of public expenditure. However, better targeting of subsidies could allow for fiscal consolidation while protecting the most vulnerable. Second, measures to intensify domestic competition would result in efficiency gains and contribute to energizing the economy by providing access to new entrants. This, in turn, would make the country's private sector more dynamic, thereby contributing to job creation. And third, making labor markets flexible (141st) and more efficient (145th) would allow the country to increase employment in the medium term.

Sub-Saharan Africa

Sub-Saharan Africa continues its impressive growth rate of close to 5 percent in 2012 (with similar projections for the next two years), providing something of a silver lining in an otherwise uncertain global economy. Indeed, only emerging Asia registers higher growth. Growth has largely taken place on the backs of strong investment, favorable commodity prices, and a prudent macroeconomic stance.

There are, however, some regional variations, and in fact, in terms of underlying competitiveness, sub-Saharan Africa continues to reflect one of significant regional variations in the GCI, ranging from Mauritius (overtaking South Africa and coming in at 45th this year) to the lowest ranked Chad at 148th. Economies with closer ties to advanced economies, such as South Africa, have not yet returned to pre-crisis growth rates. More generally, sub-Saharan Africa as a whole trails the rest of the world in competitiveness, requiring efforts across many areas to place the region on a firmly sustainable growth and development path going forward: the region continues to register a profound infrastructure deficit. In addition, sub-Saharan Africa overall continues to underperform significantly in providing health and basic education (only Mauritius and Seychelles rank in the upper half of the rankings). Higher education and training also need to be further developed. The region's poor performance across all basic requirements for competitiveness stands in stark contrast to its comparatively stronger performance in market efficiency, where particularly the region's middle-income economies fare relatively well (South Africa, Mauritius, and Kenya rank in the top 20 percent in financial market development). Moving forward, technological uptake continues to remain weak, with only three economies (South Africa, Mauritius, and Seychelles) featuring in the top half of the overall GCI rankings on this pillar.

Mauritius moves up by nine places this year to 45th place, becoming the highest ranked country in the region. The country benefits from relatively strong and transparent public institutions (39th), with clear property rights, strong judicial independence, and an efficient government (29th). Private institutions are rated as highly accountable (14th), with effective auditing and accounting standards and strong investor protection. The country's infrastructure is well developed by regional standards (50th), particularly its ports, air transport, and roads. Furthermore, notable improvements have taken place in the areas of market efficiency. Financial markets have deepened, lifting Mauritius' rank up to 26th on the back of improved access to different modes of financing and financial services. This is further reflected in company spending on R&D—which seems to be increasing, albeit from low levels—thus somewhat enhancing Mauritius' innovative capacity. Furthermore, the country boasts an efficient goods market (25th) driven by greater foreign prevalence and more competition. The labor market is relatively flexible (55th), although the country does not deploy its talent efficiently: Mauritius ranks 92nd in its capacity to retain talent, and the share of women in the labor force remains low at 118th. This is further reflected in the low availability of scientists and engineers (102nd).

South Africa is ranked 53rd this year, overtaking Brazil to place second among the BRICS. South Africa does well on measures of the quality of its institutions (41st), including intellectual property protection (18th), property rights (20th), and in the efficiency of the legal framework in challenging and settling disputes (13th and 12th, respectively). The high accountability of its private institutions (2nd) further supports the institutional framework. Furthermore, South Africa's financial market development remains impressive at 3rd place. The country also has an efficient market for goods and services (28th), and it does reasonably well in more complex areas such as business sophistication (35th) and innovation (39th). But the country's strong ties to advanced economies, notably the euro area, make it more vulnerable to their economic slowdown and likely have contributed to the deterioration of fiscal indicators: its performance in the macroeconomic environment has dropped sharply (from 69th to 95th). Low scores for the diversion of public funds (99th), the perceived wastefulness of government spending (79th), and a more general lack of public trust in politicians (98th) remain worrisome, and security continues to be a major area of concern for doing business (at 109th). Building a skilled labor force and creating sufficient employment also present considerable challenges. The health of the workforce is ranked 133rd out of 148 economies—the result of high rates of communicable diseases and poor health indicators more generally. The quality of the educational system is very poor (146th), with low primary and tertiary enrollment rates. Labor market efficiency is poor (116th), hiring and firing practices are extremely rigid (147th), companies cannot set wages flexibly (144th), and significant tensions in labor-employer relations exist (148th). Raising educational standards and making the labor market more efficient will thus be critical in view of the country's high unemployment rate of over 20 percent, with the rate of youth unemployment estimated at close to 50 percent.

Rwanda is ranked 66th this year, retaining its third place in the sub-Saharan African region. As do the other comparatively successful African countries, Rwanda benefits from strong and relatively well-functioning institutions, with very low levels of corruption (an outcome that is certainly related to the government's no-tolerance policy, and a good security environment. Its labor markets are efficient, its financial markets are relatively well developed, and Rwanda is characterized by a capacity for innovation that is quite good for a country at its stage of development. The greatest challenges facing Rwanda in improving its competitiveness are the state of the country's infrastructure, its low secondary and university enrollment rates, and the poor health of its workforce.

Botswana moves up five places to 74th, taking fourth spot in the region. Improvements are driven in large part by a sounder macroeconomic environment. Among the country's strengths are its relatively reliable and transparent institutions (34th), with efficient government spending, strong public trust in politicians, and low levels of corruption. Botswana's primary weaknesses continue to be related to its human resources base. Educational enrollment rates at all levels remain low by international standards, and the quality of the educational system receives mediocre marks. Yet it is clear that by far the biggest obstacle facing Botswana in its efforts to improve its competitiveness remains its health situation. The rates of disease in the country remain very high, and health outcomes are poor despite improvements in recent years. For a middle-income country in transition to an efficiency-driven economy, the goods market must become more efficient (92nd). Going forward, combined efforts across all areas will be needed if the country was to reduce its heavy dependence on the mining sector and to set its economy on a more diversified growth path.

Seychelles ranks 80th overall, rounding out the top five countries in the region. The country registers a solid performance in the basic requirements for competitiveness: It benefits from strong and well-functioning institutions by regional standards (45th), with strong public trust in politicians (32nd) and a government that is seen as efficient (37th). Infrastructure is also relatively well developed (43rd) and the Seychelles do well in regional comparison when it comes to health and primary education (55th). As the country is now approaching the innovation-driven stage of development, it needs to lay the fundamentals for higher-value added growth. This will require improvements in higher education and training (79h) particularly in view of its very low tertiary enrollment rates (2.6 percent), its weak math and science education and limited availability of research and training services (93rd).

Namibia reverses its downward trend of recent years slightly, improving by two places to reach 90th place. The country continues to benefit from a relatively well-functioning institutional environment (48th), with well-protected property rights, an independent judiciary, and reasonably strong public trust in politicians. The country's transport infrastructure is also good by regional standards (47th). Financial markets are reasonably developed (39th) and buttressed by solid confidence in financial institutions (21st), although their overall assessment has weakened for three years in a row. In order to improve its competitiveness, as in much of the region, Namibia must improve its health and educational systems. The country is ranked a low 123rd on the health subpillar (down five places), with high infant mortality and low life expectancy—the result, in large part, of the high rates of communicable diseases. On the educational side, enrollment rates remain low and the quality of the educational system remains poor (124th). In addition, Namibia could do more to harness new technologies to improve its productivity levels (90th).

Kenya moves up by an impressive 10 places and is ranked 96th this year on the back of greater confidence in institutions (88th). The country's strengths continue to be found in the more complex areas measured by the GCI. Kenya's innovative capacity is ranked an impressive 46th, with high company spending on R&D and good scientific research institutions that collaborate well with the business sector in research activities. Supporting this innovative potential is an educational system that—although educating a relatively small proportion of the population compared with most other countries—gets relatively good marks for quality (44th) as well as for on-the-job training (49th). The economy is also supported by financial markets that are well developed by international standards (31st) and a relatively efficient labor market (35th). On the other hand, Kenya's overall competitiveness is held back by a number of factors. Health remains an area of serious concern (121st), with a high prevalence of communicable diseases contributing to the low life expectancy of fewer than 58 years and reducing the productivity of the workforce. The security situation in Kenya also remains worrisome (131st).

Senegal comes in at 113th place this year. Although the country's institutions rank still relatively low at 82nd, our data suggest an improvement across a range of indicators since the 2012 elections, albeit from low levels. Senegal also benefits from relatively efficient goods and labor markets (59th and 65th, respectively), red tape to start a business is low even in international comparison, FDI faces relatively few barriers, and labor-employer relations are reasonably good (57th). Moreover, Senegal hosts good ports (47th), although all other modes of transport require significant upgrades (95th overall). The country's competitiveness is further pulled down by the poor health and basic education of its population (131st). Indeed, only three out of four children receive primary education, which is very low compared with its middle-income peers, and communicable diseases continue to erode at the health of the general population.

Ghana declines this year to 114th in large as a result of a deterioration in its macroeconomic indicators (reversing last year's trend). With regard to strengths, the country seems to be improving its public institutions, which are already somewhat strong by regional standards (up by five places to 70th), with relatively high government efficiency (57th). In addition, some aspects of its infrastructure are good for the region, particularly the state of its ports, and its financial and goods markets are also relatively well developed (52nd and 70th, respectively). On the other hand, Ghana must do much more to develop and deploy talent in the country. Education levels continue to trail international standards at all levels, labor markets are characterized by inefficiencies, and the country is not sufficiently harnessing new technologies for productivity enhancements (ICT adoption rates continue to be very low).

Nigeria is ranked 120th this year. The country continues to benefit from its relatively large market size (32nd), which has the potential for significant economies of scale and is an important factor for attracting investment. Nigeria also benefits from an efficient labor market, and the financial market has been recovering gradually from the 2009 crisis. Yet efforts need to be taken to diversify its economy into the non-oil sector and increase long-term competitiveness. Institutions remain weak (129th) with insufficiently protected property rights, high corruption, and undue influence. The security situation in the country, already seriously worrisome, continues last year's downward trend to 142nd. Additionally, Nigeria must continue to upgrade its infrastructure (135th) as well as improve health and primary education (146th). Furthermore, the country is not harnessing the latest technologies for productivity enhancements, as demonstrated by its low rates of ICT penetration.

Tanzania is ranked 125th this year. Its institutions have been deteriorating over the past years—although government regulation is not seen as overly burdensome (53rd), corruption has been worsening (106th) and policymaking has become less transparent. In addition, some aspects of the labor market—such as the country's strong female participation in the labor force (5th) and reasonable redundancy costs—lend themselves to efficiency. On the other hand, infrastructure in Tanzania is underdeveloped (134th), with poor roads and ports and an unreliable electricity supply (131st). And although primary education enrollment is commendably high, providing universal access, enrollment rates at the secondary and university levels are among the lowest in the world (at 134th and 138th place, respectively), while the quality of the educational system needs upgrading. A related area of concern is the country's low level of technological readiness (126th), with very low uptake of ICTs such as the Internet and mobile telephony. The basic health of its workforce is also a serious concern: the country is ranked 125th in this area, with poor health indicators and high levels of communicable diseases.

Côte d'Ivoire is ranked 126th this year. Like many of its sub-Saharan peers, the country's labor market is relatively efficient (68th), a ranking that is primarily driven by its high flexibility (36th). Furthermore, the country does well in attracting FDI—prevalence of foreign ownership is perceived as very high by the business community. Going forward, however, critical challenges remain. Institutions remain low (104th) despite a gradual improvement over recent years, and infrastructure is underdeveloped (107th). Moreover, the country does not meet primary needs in terms of health and basic education (142nd), ranking among the lowest 10 countries worldwide on the related pillar. Only 60 percent of all children are enrolled in primary education, and the burden of communicable diseases—particularly the high incidence of malaria and HIV—weighs heavily on the workforce. Furthermore, technological adoption is very low across private users and the business sector, with only 2 percent of the population using the Internet.

Ethiopia falls six places to 127th this year, facing challenges across all pillars. The country ranks above 100th only for its market size (67th) and the quality of its institutions (95th), although it should be noted that the assessment of institutions has been falling over recent years across almost all indicators, including property rights, ethics and corruption, undue influence, and government efficiency. Furthermore, the country's goods (136th) and labor markets (108th) seem to be deteriorating, with more procedures and time required to start a business along with increasing concerns about the quality of labor-employer relations (121st), hiring and firing practices (99th), and the alignment between pay and productivity (125th). Ethiopia also requires significant improvements in the areas of infrastructure (124th), higher education and training (137th), and technological readiness (139th). On a more positive note, security—ranked 55th—is better than in many of its sub-Saharan peers, primary education with a net enrollment rate of 87 percent is comparatively good (although the quality of primary education is very low), and women account for a high percentage of the country's labor force.

Liberia ranks 128th in this year's GCI. The country features a well-developed goods and labor market by regional standards (47th and 60th, respectively), with few procedures and low cost to start a business in the country, and a taxation regime that is not overly distortive to economic decision making. In order to enhance its competitiveness, Liberia must focus on improving its physical infrastructure (131st) and enhancing human resources by improving the health and education levels of its workforce (144th).

Zimbabwe remains relatively stable at 131st position. Public institutions continue to receive a weak assessment, particularly related to corruption, security, and government favoritism, although overall the assessment of this pillar has improved somewhat since a few years ago. Yet major concerns remain with regard to the protection of property rights (137th), where Zimbabwe is among the lowest-ranked countries, reducing the incentive for businesses to invest. And despite efforts to improve its macroeconomic environment—including the dollarization of its economy in early 2009, which brought down inflation and interest rates—Zimbabwe still receives a low rank in this pillar (114th), demonstrating the extent of efforts still needed to ensure its macroeconomic stability. Weaknesses in other areas include health (132nd in the health subpillar), low education enrollment rates, and formal markets that continue to function with difficulty (particularly with regard to goods and labor markets, ranked 130th and 140th, respectively).

Mozambique ranks 137th this year, with efforts required across many areas to lift the economy onto a sustainable growth and development path, particularly in view of its natural resource potential. The country's public institutions receive a weak assessment on the basis of low public trust in politicians, significant red tape faced by companies in their business dealings, and the perceived wastefulness of government spending. Macroeconomic stability is still weak (98th) although recent efforts seem to be bearing some fruit in containing price rises (inflation is down to 2 percent from double-digits last year). Looking ahead, significant reform will be needed to advance the country's long-term competitiveness, including making critical investments across all modes of infrastructure (ranked 130th), establishing a regulatory framework that encourages competition to foster economic diversification, and developing a sound financial market (132nd). Also critical, in view of the country's rapidly growing population and high unemployment, are investing in the healthcare system and primary education (138th) as well as higher education and training (143rd).

Angola re-enters the GCI this year at 142nd place. As with its oil-exporting peers, a positive fiscal balance and low public debt contribute to a comparatively stable macroeconomic environment (54th), but much remains to be done across the board to build out the country's competitiveness. Given its favorable fiscal stance, the country has a unique opportunity to invest revenues in competiveness-enhancing measures. In this context, its poor performance across all governance indicators is worrisome: Both public and private institutions are characterized by widespread corruption, and inefficient government spending casts doubt on the country's ability to spend resource receipts in the most important areas. Furthermore, the country's infrastructure is one of the least developed globally (145th), and its population would be well served by improvements in the educational and health systems (137th).

NOTES

1. We have retained the geographical classifications used in past editions of the *Report* while changing the groupings in the country/economy profiles. The groupings in the profiles are based on IMF data, and use the IMF classifications.
2. The four Asian Tigers are Hong Kong SAR, Singapore, the Republic of Korea, and Taiwan (China).
3. The BRICS countries are Brazil, Russia, India, China, and South Africa.
4. Busso et al. 2012.
5. Qatar ranked 11th in the GCR 2012–2013. The drop in the rankings reflects the higher weight put on innovation and business sophistication this year, as Qatar is being assessed as an innovation-driven economy. See methodology section of this chapter for a description of the new criteria introduced.

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