The Global Competitiveness Report 2014–2015: Country/Economy Highlights

The Country/Economy Highlights presents the findings of *The Global Competitiveness Report 2014–2015* for the top performers globally, as well as for a number of selected economies in each of the five following regions: 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

The top of the rankings continues to be dominated by highly advanced Western economies and several Asian tigers. For the sixth consecutive year Switzerland leads the top 10, and again this year Singapore ranks as the second-most competitive economy in the world. Overall, the rankings at the top have remained rather stable, although it is worth noting the significant progress made by the United States, which climbs to 3rd place this year, and Japan, which rises three ranks to 6th position.

Switzerland tops the Global Competitiveness Index again this year, keeping its 1st place for six years in a row. Its performance is stable since last year and remarkably consistent across the board: the country ranks in the top 10 of eight pillars. Switzerland's top-notch academic institutions, high spending on R&D, and strong cooperation between the academic and business worlds contribute to making it a top innovator. Switzerland boasts the highest number of Patent Cooperation Treaty applications per capita in the world. The sophistication of companies that operate at the highest end of the value chain constitutes another notable strength (2nd). Productivity is further enhanced by an excellent education system and a business sector that offers excellent on-the-job-training opportunities. The labor market balances employee protection with flexibility and the country's business needs (1st). Public institutions are among the most effective and transparent in the world (7th), ensuring a level playing field and enhancing business confidence. Competitiveness is also buttressed by excellent infrastructure and connectivity (5th) and highly developed financial markets (11th). Finally, Switzerland's macroeconomic environment is among the most stable in the world (12th) at a time when many European countries continue to struggle in this area. A potential threat to Switzerland's competitive edge might be the increasing difficulties faced by businesses and research institutions in finding the talent they need to preserve their outstanding capacity to innovate. Since 2012, the country has dropped from 14th to 24th on the indicator measuring the availability of engineers and scientists. Respondents to the Executive Opinion Survey 2014 cited the difficulty of finding qualified workers as

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For further analysis of this year's national competitiveness landscape, see *The Global Competitiveness Report 2014–2015* with detailed profiles for all 144 economies covered in the report this year. An interactive data platform is also available at **www.weforum.org/gcr.**

the single most problematic factor for doing business in the country. The recent acceptance by Swiss citizens of an initiative aimed at limiting the ability of European Union (EU) workers to immigrate by reintroducing quotas could exacerbate the problem and erode Switzerland's competitiveness advantage.

Singapore ranks 2nd overall for the fourth consecutive year, owing to an outstanding and stable performance across all the dimensions of the GCI. Again this year, Singapore is the only economy to feature in the top 3 in seven out of the 12 pillars; it also appears in the top 10 of two other pillars. Singapore tops the goods market efficiency pillar and places 2nd in the labor market efficiency and financial market development pillars. Furthermore, the city-state boasts one of the world's best institutional frameworks (3rd), even though it loses the top spot to New Zealand in that category of the Index. Singapore 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 (15th)—its budget surplus amounted to 6.9 percent of GDP in 2013. 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 fairly sophisticated (19th) and becoming more innovative (9th), although room for improvement exists in both areas, especially as these are the keys to Singapore's future prosperity.

The **United States** goes up in the rankings for a second year in a row and regains the 3rd position on the back of improvements in a number of areas, including some aspects of the institutional framework (up from 35th to 30th), and more positive perceptions regarding business sophistication (from 6th to 4th) and innovation (from 7th to 5th). As it recovers from the crisis, the United States can build on the many structural features that make its economy extremely productive. US companies are highly sophisticated and innovative, and they are 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 make the United States very competitive. On the other hand, some weaknesses in particular areas remain to be addressed. The business community continues to be rather critical, with trust in politicians still somewhat weak (48th), concerns about favoritism of government officials (47th), and a general perception that the government spends its resources relatively wastefully (73rd). The macroeconomic environment remains the country's greatest area of weakness (113th), although the fiscal deficit continues to narrow and public debt is slightly lower for the first time since the crisis.

Finland continues to exhibit a strong performance across all the analyzed dimensions, despite its drop of one place to 4th position. This decline is mainly driven by a slight deterioration of its macroeconomic conditions (43rd), which has led some rating agencies to downgrade the outlook of this Nordic economy. More precisely, Finland suffers from higher, though still manageable, deficit and public debt level, and its savings rate has slightly decreased. Nevertheless, the country continues to boast well-functioning and highly transparent public institutions (1st), at the very top in many of the indicators included in this category, and high-quality infrastructure (19th). The functioning of its products market is also good (18th), financial development is very high (5th), and the country manages to use its existing talent efficiently (7th) despite some persistent rigidities in its labor market, most notably in terms of wage determination (143rd), which is regarded as one of the most problematic factors for doing business. Its biggest competitiveness strength lies in its capacity to innovate, where the country leads the world rankings (1st). Very high public and private investments in R&D (3rd), with very strong linkages between universities and industry (1st) coupled with an excellent education and training system (1st) and one of the highest levels of technological readiness (11th) drive this outstanding result.

Germany drops one place to 5th position this year. The small drop is the result of some concerns about institutions and infrastructure and is only partially balanced out by improvements in the country's macroeconomic environment and financial development. Moreover, Germany's education system is assessed less positively than it was in previous years (16th, down from 3rd) because the indicator measuring the country's tertiary enrollment rate became available. Overall, Germany weathered the global economic crisis of recent years quite well thanks at least partly to its main competitiveness strengths, which include highly sophisticated businesses (3rd) and an innovation ecosystem that is conducive to high levels of R&D innovation (6th). Companies spend heavily on R&D (5th) and can rely on an institutional framework, including collaboration with universities (10th) and research labs (8th), to support their innovation efforts. Innovation is also supported because companies, which are predominantly medium-sized, often operate in niche markets and are located in close geographical proximity to each other (3rd on cluster development). This fosters the exchange of learning among businesses and facilitates the development of new goods and services. High-quality infrastructure (7th) and excellent on-the-job training (6th) complement these strengths. The top-notch German on-the-job training system ensures that technical skills for companies are widely available and that skills match the needs of businesses. Germany's economy could be more competitive if its labor markets were made even more efficient. In recent years, labor market efficiency has improved markedly, rising from the 53rd position in 2012 to 35th this year. However, some recent decisions, such as the introduction of a minimum wage, could reverse this positive trend. In the context of declining population growth, a more holistic approach to immigration and more incentives for women to remain in the labor market are going to be crucial for the country to ensure a supply of talent. Last but not least, continued efforts toward strengthening its fiscal situation will be key to reducing the country's high public debt (118th).

Up three places to reach 6th position overall, **Japan** posts the largest improvement of the top 10 economies, thanks to small improvements across the board. Japan continues to enjoy a major competitive edge in business sophistication (1st for the sixth consecutive year) and in innovation (4th, up one position). High R&D spending (2nd), excellent availability of talent (3rd), world-class research institutions (7th), and a high capacity to innovate (7th) are among Japan's strengths. Indeed, in terms of innovation output, these strengths pay off: the country has the second-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 challenges (127th). For the past five years, its budget deficit has been hovering around 10 percent of GDP, one of the highest ratios in the world, while public debt now represents more than 240 percent of the country's GDP. At least the country's battle against deflation has started bearing fruit: prices in 2013 increased for the first time in five years—by a low 0.4 percent. Another area of concern is the situation in the labor marked (22nd). Japan ranks 133rd in the indicator capturing the ease of hiring and firing workers. In addition, the participation of women in the labor force (88th) is one of the lowest among OECD members.

Featured in the top 10 since 2012, **Hong Kong SAR** retains its 7th position. It tops the infrastructure pillar, reflecting the outstanding quality of its facilities across all modes of transportation. The economy also continues to dominate the financial market development pillar, owing to the high level of efficiency, trustworthiness, and stability of its 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. Hong Kong is also one of the most open economies in the world. In order to enhance its competitiveness, Hong Kong must improve on higher education (22nd) and innovation (26th, down three places this year). In the latter category, the quality of its research institutions (32nd, down one) and the limited availability of scientists and engineers (36th, down four) remain the two key issues to be addressed. In building a truly innovation-driven economy, Hong Kong can rely on its high degree of technological readiness (5th).

As in the last edition, the **Netherlands** retains its 8th place this year and depicts a stable competitiveness profile. Overall, the country continues to depict a set of important competitiveness strengths that allow its economy to remain highly productive. An excellent education and training system (3rd), coupled with a strong adoption of technology (9th), including ICTs (8th), and an excellent innovation capacity (8th) result in highly sophisticated businesses (5th) that manage to compete at the very high end of international value chains. In addition, efficient institutions (10th), world-class infrastructure (4th), and highly competitive (5th) and open products markets (6th) complete the impressive list of the country's assets. Notwithstanding these strengths, the otherwise excellent Dutch performance is somewhat hindered by some persistent rigidities in its labor market, especially in terms of hiring and firing practices (123rd) and wage determination (135th)—these rigidities are regarded as the most problematic factor for doing business in the country. Furthermore, the current weaknesses of its financial system (80th), which are a consequence of the housing bubble, have made access to credit (48th) more difficult.

The **United Kingdom** climbs one spot to the 9th place. Overall, the country improves its performance thanks to gains derived from lower levels of fiscal deficit and public debt. In addition to these more favorable macroeconomic conditions, the United Kingdom continues to benefit from an efficient labor market (5th) and a high level of financial development (15th), despite the recent difficulties in parts of its banking system (89th) and the fact that the difficult access to loans (82nd) remains the most problematic factor for doing business in the country. In addition, the country benefits from an ICT uptake that is one of the highest in the world (2nd) and that, coupled with a highly competitive (5th) and large market (6th), allows for highly sophisticated (6th) and innovative (12th) businesses to spring up and develop. In addition to continuing to improve its macroeconomic conditions (107th), the country should look into effective ways to raise the overall quality of its education system (23rd), most notably in the areas of mathematics and science (63rd), which will be crucial to continue fostering innovation in the country.

Sweden, despite a rather stable competitiveness profile across all areas, falls four places this year to round up the top 10 rankings. Overall the country boasts important strengths across the board, with strong institutions (13th) that are regarded as transparent and efficient, excellent infrastructure (22nd), and healthy macroeconomic conditions (17th) that include low levels of fiscal deficit and public debt, allowing the country to maintain its triple-A rating throughout the recent financial and economic crisis. Moreover, and perhaps more importantly, Sweden has managed to create the right set of conditions for innovation and unsurprisingly scores very high in many of the dimensions that are key to creating a knowledge-based society. More precisely, the Swedish education and training system (14th) is of high quality and seems to deliver the right set of skills for an innovation-based economy; ICT adoption (3rd) is among the highest in the world; and, in terms of innovation capacity (6th), firms are among the best performing. In addition, the country has also formed highly competitive markets (21st), which produce the right set of incentives to quickly transform those knowledge assets into new products and services with higher value-added. Going forward, the country should address its labor market regulations (59th) and the potential distortions that a high tax rate system (119th) may create, as these two elements are considered the two most problematic factors for doing business in the country.

Europe and Eurasia

Six European countries are ranked among the top 10 most competitive economies, while at the same time, many countries in Southern and Central and Eastern Europe—such as Portugal, Italy, Bulgaria, Romania, and Greece—score relatively low, ranking 36th, 49th, 54th, 59th, and 81st, respectively. This wide-ranging performance highlights the persistence of a competitiveness divide in Europe between a highly competitive Northern Europe and a less competitive Southern and Eastern Europe. A more nuanced analysis of the results also reveals that a new divide seems to be emerging among those countries whose competitiveness is currently lagging. This new divide appears to be between those economies that are adopting and implementing the reforms necessary to become more competitive—these include countries such as Greece and Portugal that are now improving in the overall rankings—and some other economies, such as France and Italy, which are not recording much progress.

Denmark improves by two positions to reach 13th place on the back of a slight rebound in the assessment of its institutions and financial markets as well as more favorable macroeconomic conditions, which together have allowed the country to close the European Commission's formal procedure that assesses excessive deficits. Similar to its Nordic neighbors, Denmark continues to benefit a well-functioning and highly transparent institutional framework (16th). The country also continues to receive a first-rate assessment for its higher education and training system (10th), 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 allow the workforce 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 (12th) continues to distinguish itself as having one of the most efficient labor markets internationally, with flexible regulations; strong labor-employer relations; and a very high percentage of women in the labor force.

Despite the drop of one position that leads to **Belgium**'s 18th place in the rankings, the country has slightly improved its competitiveness score thanks to a better macroeconomic performance with a lower public deficit, which remains below 3 percent of its GDP. Furthermore, in addition to boasting an outstanding education and training system (5th)—with excellent math and science education (3rd), top-notch management schools (2nd), and a strong propensity for on-the-job training (4th)—the country benefits from a high level of technological adoption (15th) and highly sophisticated (10th) and innovative (13th) businesses that carry out their activities in a market characterized by high competition (6th) and an environment that facilitates new business creation. Notwithstanding these strengths, some concerns remain about the efficiency of Belgium's government (64th); its regulatory burden (130th); its highly distortionary tax system (126th), which reduces incentives to work (141st); and the cost of the country's public debt—which is close to 100 percent of GDP.

Following the completion of its EU-IMF–supported program, this year **Ireland** experiences a slight rebound and climbs by three places to reach the 25th position, which reflects its financial market recovery. Yet its macroeconomic situation remains difficult at a low 130th place, characterized by a high budget deficit (although down from the historic highs of four years ago) and high government debt. Despite these economic woes, the country features strong foundations for its long-run competitiveness: the functioning of its goods and labor markets, ranked 10th and 18th respectively, is solid, and its business culture is highly sophisticated and innovative (ranked 20th for both); this is buttressed by excellent technological adoption (12th). In addition, equipped with its excellent health and primary education system (8th) and strong higher education and training (17th), the country can draw on a well-educated workforce, although the high levels of emigration in recent years—particularly of its young population—suggests that fewer young people will be available in the future.

France retains its 23rd position after dropping for four consecutive years. The government has promised a "competitiveness shock" and is considering a number of business-friendly measures, including a simplification of administrative procedures, in order to revive growth and reduce the country's stubbornly high level of unemployment. Traditionally a black spot, the situation of France's labor market has improved markedly over the year (61st, up 10), thanks to increased flexibility, although it still remains a challenge (107th, up nine). By contrast, the fiscal situation—the second area of major concern—continues to deteriorate (82nd, down nine). The small reduction in the budget deficit is accompanied by an increase in public debt and a downgrading of France's creditworthiness. The country retains a number of clear competitive advantages, however. Its infrastructure is still among the best in the world. France also obtains good marks for the quality and quantity of education at all levels, and it boasts a high degree of technological adoption (17th). In addition, the country's business culture is highly professional and sophisticated (22nd). These three strengths contribute to creating a relatively conducive ecosystem for innovation (19th). However, on this dimension, France trails Germany, the United Kingdom, and the Scandinavian countries by a significant margin.

Estonia remains the best performing country in Eastern Europe and improves by three places to reach 29th overall. The country boasts a solid competitiveness profile with strong, transparent, and efficient institutions (26th); a solid macroeconomic environment (20th); and high levels of education and training (20th). Its labor market is also more efficient than in most countries in the region (11th). To further strengthen its competitiveness, Estonia should focus on strengthening innovation (30th) and business sophistication (48th) in order to ensure that product and process innovation continues to enhance the country's productivity. Further investment in infrastructure (38th) would also be warranted, as transport infrastructure in particular is not yet up to Western European standards (58th).

Iceland moves up one place to 30th position this year, the result of an improving macroeconomic situation and an easing of financial concerns. Despite its significant difficulties in these areas in recent years, Iceland continues to benefit from a number of clear competitiveness strengths in moving toward a more sustainable economic situation. These include the country's top-notch education system at all levels, its 10th and 13th ranks 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 (8th). Business activity is further supported by an efficient labor market (14th) and well-developed infrastructure (23rd).

Spain remains stable at 35th place. The important reform program the country has embarked on has resulted in curbing the high budget deficit of past years, although it remains high (128th); improving the robustness of the financial sector (85th); cutting red tape to foster entrepreneurship (99th); and enhancing flexibility (120th) in the labor market, although much remains to be addressed. However, a weakening in the perceived functioning of institutions, notably with worse scores in terms of corruption (80th) and government efficiency (105th), offsets these improvements in the GCI. Overall, as in past years, Spain continues to benefit from excellent transport infrastructure (6th), high levels of connectivity (18th), and a large share of the population that pursues higher education (8th) who—should the quality of the education system improve (88th)—could provide a skillful labor force able to contribute to the structural change the country requires. Notwithstanding these strengths and improvements in certain areas, Spain continues to suffer from poor access to loans (132nd), a rigid labor market (120th), difficulty in attracting (103rd) and retaining talent (107th), and an insufficient capacity to innovate (60th)—the result of low R&D investments (52nd) and weak university-industry collaborations (57th).

After falling in the rankings for several years, **Portugal** decisively inverts this trend and climbs 15 positions to reach 36th place. The ambitious reform program the country has adopted seems to have started paying off as gains appear across the board, most notably in areas related to the functioning of the goods market: Portugal now has less red tape to start a business (5th), and its labor market shows increased flexibility, although more remains to be done (119th). In addition to these improvements, the country can continue to leverage its world-class transport infrastructure (18th) and highly educated labor force (29th). At the same time, Portugal should not be complacent and should continue with a full implementation of its reform program in order to keep addressing some of its persistent macroeconomic concerns (128th) caused by high levels of deficit (107th) and public debt (138th); strengthening its financial sector (104th) so that credit can start flowing (108th); further increasing the flexibility of its labor market; and raising the quality of education (40th) and innovation capacity (37th) to support the economic transformation of the country.

The **Czech Republic** advances by nine places this year to attain 37th position, improving in half of the pillars and thus reversing a five-year downward trend. Institutions (76th) improve by 10 places, although from very low levels for some indicators, and major concerns remain about corruption and undue influence (with public trust in politicians ranked an extremely low 138th). The country's economic recovery is also reflected in a sounder macroeconomic environment—the budget deficit fell below the 3 percent mark, leading to a closing of the European Commission's excessive government procedure—and an improvement in borrowing conditions in the financial market (up to 40th in financial market efficiency). Our data also point to improvements in health and primary education, thanks to a higher primary enrollment rate, as well as gradual improvements in the labor market (62nd), albeit from low levels. More specifically, although cooperation in labor-employer relations and the flexibility of wage determination are perceived more favorably (52nd and 43rd, respectively) than in last year's edition, regulations are rigid (121st) and the country's capacity to attract and retain talent remains limited. Likewise, the share of women in the labor force remains comparatively low. Going forward, the Czech Republic needs to explore ways to transition to a knowledge economy in view of its stage of development: compared with other economies at the same stage, technological readiness remains low (36th) and Czech businesses—although doing comparatively well in a regional context—are less sophisticated and innovative than other economies in the European Union. The country's competitiveness would be further enhanced by improvements to its higher education system, where the Czech Republic, at rank 35, features among the 10 lowest ranked EU economies.

Poland maintains its positioning overall and comes in at 43rd place. The improvements Poland has made in institutions, infrastructure, and education and its increased flexibility in labor market efficiency are steps in the right direction to boost the country's competitiveness. Continued structural reforms geared toward strengthening its innovation and knowledge-driven economy will be necessary for Poland to sustain its growth going forward. The country can build on a fairly well educated population, well-developed financial markets, and a market that is by far the largest in the region. Transport infrastructure, however, despite notable improvements, remains weak (78th) by European standards. Some aspects of institutions, such as the burden of its regulations (117th), its rather inefficient legal framework for settling business disputes (118th), and difficulties in obtaining information on government decisions for business (110th) also need to be addressed on a priority basis. And as the country slowly emerges from the economic slowdown of 2012 and 2013, Poland should focus on further improving labor market efficiency and strengthening business sophistication (63rd) as well as on its business sector's capacity for innovation (72nd). To bolster its innovative capacity, the next set of reforms should focus on reinforcing its innovation ecosystem in close collaboration with the private sector to enable a sustainable growth path for the country.

With a stable score, **Italy** retains 49th position, despite a deterioration in the functioning of its institutions (106th) and with a poor assessment on government efficiency (143rd), continued macroeconomic concerns that result from the large public debt, and a very rigid labor market (136th) that hinders employment creation. Overall, Italian companies—most notably small and medium-sized enterprises (SMEs)—continue to suffer from weak access to financing (139th) that, coupled with a high tax rate (134th), affects their investment capacity. In addition, as already mentioned, the labor market remains very rigid (136th) and unable to make an efficient use of the country's talent (130th). The reform program currently being designed, if implemented properly, should help in addressing some of these weaknesses and allow Italy to leverage its competitiveness strengths, which lie in its sophisticated business community (25th) with a good potential to innovate (39th) and its large and diversified market (12th) that should allow for important economies of scale and scope.

The **Russian Federation** is placed at 53rd position this year with some improvements related to the efficiency of goods markets (in particular domestic competition), ICT use, and business sophistication—although this arguably reflects some positive developments that took place before the Ukraine conflict started. At the time of writing, the Russian economy continues to face many deeply rooted challenges that will have to be addressed for the country to strengthen its competitiveness. Russia's weak and inefficient institutional framework (97th) remains its Achilles heel and will require a major overhaul in order to eradicate corruption and favoritism (92nd) and re-establish trust in the independence of the judiciary (109th). Diversification of the economy will need reinforcing the very small SME sector as well as continued progress toward a stronger and more stable financial system (110th). These challenges prevent Russia from taking advantage of its competitiveness strengths, which are based on a well-educated population, fairly high levels of ICT use (47th), and its solid potential for innovation (65th). Going forward, the reverberations of the Ukraine conflict—such as sanctions and potential disruptions to the gas trade—could affect the country's competitiveness. These implications could be especially serious given the reliance of the education and innovation sectors on public funding, which will become more scarce than it has been in previous years and for accessing technology developed abroad.

Ukraine moves up from 84th to 76th position, arguably reflecting expectations associated with its transition to a new government following the Euromaidan protests. The conflict in the eastern part of the country and in Crimea did not affect the results of the exercise in a substantial way, because it was still localized at the time when the Survey was conducted, yet it will most likely affect the country's competitiveness going forward. The improvements in the GCI reflect more positive perceptions of institutions and the efficiency of markets. Other improvements reflect better educational outcomes, seen in a higher primary enrollment rate and more ICT use by individuals and business. At the time of writing, restoring peace in Eastern Ukraine is undoubtedly the country's highest priority. However, far-reaching reforms will be necessary in order to put economic growth on a sustainable footing. These include an overhaul of the institutional framework (130th), along with measures to reduce the dominance of large companies in domestic markets (129th) and to make markets more competitive (125th) and hence more efficient (112th). A strengthening of financial markets would further help stabilize the economy and enable Ukraine to better take advantage of its numerous competitiveness strengths, such as its well-educated population and its market size, which is fairly large in the European context.

The most recent addition to the EU family, **Croatia,** is the second best performing country in Southeastern Europe at 77th place overall. The country boasts solid infrastructure (44th), especially in roads and electricity, and benefits from relatively high levels of education and training (53rd), although the quality of its education needs to be improved (55th). Companies and individuals use ICTs fairly widely in regional comparison (40th), and the country is open to foreign trade, with low tariffs and well-functioning customs procedures. Going forward, Croatia will need to continue strengthening its institutional framework (87th) and foster the efficiency of its market for goods and services. According to business executives, domestic markets are dominated by few firms and taxation is burdensome, even if low by international comparison. The country will also need to focus on strengthening its macroeconomic environment, which remains burdened by a fairly high budget deficit. As Croatia will move into the innovation-driven stage of development in the coming years, it will need to start putting measures into place that incentivize and enable companies to innovate more. Currently, its businesses' capacity for innovation is low according to business executives, although research institutes are assessed more favorably (53rd) and the country's patenting rate is moderately strong (36th).

Following the recovery that started last year, **Greece** advances 10 spots to reach 81st place. Improvements in the functioning of its goods market (85th) with enhanced levels of competition (71st) and more flexible labor markets (although they remain rather rigid, 117th), along with a better macroeconomic performance with a sharp reduction in the budget deficit, have resulted in this more positive outlook despite its very high levels of government debt. All this suggests that the implemented reforms are starting to pay off. Notwithstanding this better performance, Greece continues to face important challenges that need to be addressed in order to continue improving its competitiveness. More precisely, the functioning of its institutions remains weak and it achieves a poor evaluation for government efficiency (129th), its financial market (130th) has not yet recovered from the recent financial crisis, there are concerns about the soundness of its banks (141st), and access to financing (136th) remains the most problematic factor for doing business in the country. Moreover, in order to support a structural change of the Greek economy so that it can move toward more productive, knowledge-based activities, it will need to boost its innovation capacity (109th). That will require improvements in the quality of its education system (111th) as well as higher investments in knowledge-generating activities, such as R&D (114th).

Asia and the Pacific

The competitiveness landscape in the Asia and the Pacific region remains one of stark contrasts. The region is home to three of the 10 most competitive economies in the world: Singapore, Japan, and Hong Kong SAR. A further three economies are featured in the top 20: Taiwan (China), New Zealand, and Malaysia (20th), which is the best ranked of Emerging and Developing Asian nations. At 28th, China stands some 40 places ahead of India, the other regional economic giant. At the other end of the regional spectrum, five countries rank below the 100th mark, although encouragingly they are all progressing to different degrees: Nepal (102nd, up 15 places), Bhutan (103rd, up six), Bangladesh (109th, up one), Myanmar (134th, up five), and Timor-Leste (136th, up two). The competitiveness gap between South Asian and Southeast Asian nations runs deeper than before. The five largest Southeast Asian economies (ASEAN-5) all feature in the top half of the rankings, and all of them have made strides in this edition: Malaysia gains four places, Thailand is up six, Indonesia four, the Philippines seven, and Vietnam advances two places. Since 2009, they have improved their group performance in every edition. In South Asia, among the region's six countries covered by the GCI, only India features in the top half of the rankings. Since 2009, the average GCI score of the South Asian Association for Regional Cooperation (SAARC) countries has stagnated.

Because of the region's diversity, the challenges vary enormously, but a few common priorities can be identified. For the most advanced economies, such as Japan, the Republic of Korea, and Taiwan (China), one common challenge is the rigidity of their labor markets. They must also set up an ecosystem that is better at creating truly disruptive innovations. For countries such as Malaysia, the goal is to transform the economy to become more knowledge-driven in order to avoid the middle-income trap. In China, more reforms and liberalization are needed to improve market efficiency, increase competition, and encourage a more optimal allocation of financial resources. In most emerging Asian economies, common challenges include addressing the huge infrastructure deficit and improving regional connectivity; reducing red tape, which will promote economic formality and entrepreneurship and reduce pervasive and deep-rooted corruption; and improving market efficiency by phasing out distortionary measures. As the region's poorest economies—such as India and

Myanmar—are transitioning away from agriculture and developing a manufacturing base, they will need to create a sound and stable institutional framework for local and foreign investors and improve connectivity.

Taiwan (China) ranks 14th, dropping two places despite maintaining its score. The third of the Asian Tigers, behind Singapore and Hong Kong SAR, its performance has been very stable over the past six years. Notable strengths include its capacity to innovate (10th, down two), its highly efficient goods markets (11th), its world-class infrastructure (11th), and strong higher education (12th). In order to enhance its competitiveness, Taiwan will need to further strengthen its institutional framework (27th), whose quality is undermined by some inefficiency within the government (29th) and various forms of corruption (31st), and will also need to address some inefficiencies and rigidities in its labor market (32nd). As elsewhere in Asia, encouraging and facilitating the participation of women in the workforce (89th) would contribute to enhancing competitiveness.

New Zealand advances one rank to 17th place—its best rank since the introduction of the current GCI methodology. Among the highlights, the country is ranked 1st in the institutions pillar and features in the top 10 of five more pillars. In particular, New Zealand ranks third in the financial market development pillar. It boasts an excellent education system (9th), while the efficiency of its goods (6th) and labor (6th) markets is among the highest in the world.

Australia (22nd) follows an opposite trend. Since reaching its best rank—15th—in 2009, Australia has been dropping continuously in the rankings. However, although not outstanding, the country's performance is remarkably consistent across the board. It ranks no lower than 30th in 11 of the 12 pillars of the GCI. It achieves its best rank in the financial market development pillar, advancing one position to 6th place. In particular, the soundness of its banking sector is especially strong (3rd, behind Canada and New Zealand). The country also posts gains in higher education and training, climbing to 11th position. Australia's macroeconomic situation has deteriorated slightly (30th, down five places), owing mainly to the small increase of the budget deficit. Australia's public debt-to-GDP ratio, though rising, is the fourth lowest among OECD countries. Overall, the quality of Australia's public institutions is excellent (22nd) but tarnished by the 124th position it obtains for the extent of red tape. The main area of concern remains the labor market. Australia ranks 136th for the rigidity of its hiring and firing practices and 132nd for the rigidity of its wage setting. Indeed, as part of our Executive Opinion Survey, Australian businesses, year after year, have named the restrictive labor regulations the most problematic factor for doing business in their country by a wide margin.

Continuing its upward trend, **Malaysia** makes its way into the top 20 for the first time since the current GCI methodology was introduced in 2006. The country remains the highest ranked among the developing Asian economies. Malaysia advances nine positions in the institutions pillar, which largely drives this year's progress. It ranks no lower than 60th in any of the 12 pillars of the GCI. It ranks an outstanding 4th in the financial market development pillar, which reflects its efforts to position itself as the leading center of global Islamic finance. And it ranks 7th in the efficiency of its goods and services markets and a 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 4th for the burden of government regulation, although its score differential with the leader in this area, Singapore, remains large. Malaysia ranks a satisfactory 26th in the ethics and corruption component of the Index, but room for improvement remains. Furthermore, Malaysia ranks 11th 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 (15th) and already innovative (21st). 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 4.6 percent of GDP in 2013 (102nd); the low level of female participation in the workforce (119th); and the still comparatively low technological readiness (60th) stand out as some of Malaysia's major competitive challenges.

After exiting the top 20 last year, the **Republic of Korea** (26th) drops one more position. Its performance remains uneven across the different dimensions of the Index. The country loses further ground in two of the three areas in which historically it has performed poorly. It now ranks 82nd (down eight places) in the institutions pillar and 86th (also down eight) in the labor market efficiency category. Although stable, the financial market development pillar remains a sore point (80th, up one), preventing Korea from closing the competitiveness gap with the three other Asian Tigers. On a brighter note, Korea possesses a remarkably sound macroeconomic environment (7th, second only to Norway among OECD countries). The country also boasts excellent infrastructure (14th), and enrollment rates at all levels of education are among the highest in the world. These factors, combined with the country's high degree of technological adoption (25th) and relatively strong business sophistication (27th), contribute to explaining its remarkable capacity for innovation (17th).

Up one position, **China** ranks 28th. The country continues to lead the BRICS economies by a wide margin—well ahead of Russia (53rd), South Africa (56th), Brazil (57th), and India (71st). Small gains in most pillars of the GCI contribute to creating a more conducive ecosystem for entrepreneurship and innovation: higher education and training (65th, up five); business sophistication (43rd, up two); and the technological readiness pillar, which constitutes China's weakest showing in the GCI, (83rd, up two). Problems endure in the critically important financial sector (54th), the assessment of which is weakened by the relative fragility of the banking industry. Access to loans remains very difficult for a large number of SMEs. The functioning of the market (56th, up five) is also improving, but various limiting measures and barriers to entry, along with investment rules, greatly limit competition. China is becoming more innovative (32nd), but it is not yet an innovation powerhouse. There is very little change in the assessment of the country's governance structures (47th). Government efficiency is improving (now 31st), but corruption (66th), security concerns (68th, up seven), and low levels of accountability (80th, up two) and lack of transparency (43rd) continue to weaken the institutional framework. The macroeconomic situation remains favorable (10th): inflation is below 3 percent; budget deficit has been reduced; and public debt-to-GDP ratio, at 22.4 percent, is among the lowest in the world. Gross savings rate amounts to a staggering 50 percent of GDP. This rate is probably too high in light of the need for China to rebalance its economy away from investment and toward more consumption. Despite the persistence of bottlenecks, the country also boasts good transport infrastructure and connectivity (21st), thanks to decades of massive investments. Trends are largely positive, but now is not the time for China to be complacent. The country is no longer an inexpensive location for labor-intensive activities and is losing manufacturing jobs to less-developed countries and even to some more advanced economies. China must now create the high-value jobs that will sustain the increasing standards of living.

Despite its prolonged political crisis, **Thailand** advances six places to 31st position. The country moves up 12 places in the macroeconomic environment pillar and now ranks 19th, its best showing among the 12 pillars. In 2013, Thailand almost balanced its budget and reduced inflation to 2 percent. Public debt remained stable and the savings rate was high. Thailand continues to do well in the financial development (34th) and improves its already strong showing in the market efficiency pillar (30th, up four). However, market competition remains limited by a number of barriers to entry, especially those affecting foreign investments. Considerable challenges remain in other areas: first and foremost these relate to governance. Political and policy instability, excessive red tape, pervasive corruption, security concerns, and high uncertainty around property rights protection seriously undermine the institutional framework (93rd in the public institutions subpillar, down eight). In most of these areas, Thailand ranks below the 100th mark. In particular, the level of trust in politicians is among the lowest in the world (129th). Another concern is the mediocre quality of education at all levels (87th, down nine) and the still low level of technological readiness pillar (65th), although Thailand shows marked improvement in this area (up 13). It must be noted that all the data used in our assessment were collected before the most recent developments—including the military coup of May 2014—took place.

Up four notches to 34th place, **Indonesia,** Southeast Asia's largest country, continues its progression in the overall rankings. This improvement in competitiveness will probably contribute to sustaining the country's impressive momentum—its GDP grew by 5.8 percent annually since 2004—under the new leadership. That said, Indonesia's overall performance remains uneven. Infrastructure and connectivity continue to improve: up five places from last year and 20 places since 2011, Indonesia now ranks 56th in the related GCI pillar. The quality of public and private governance is strengthening: Indonesia is up 14 places to 53rd as a result of improvement in 18 of the 21 indicators composing this pillar. In particular, Indonesia ranks a remarkable 36th place for government efficiency. Corruption remains prevalent (87th) but has been receding for several years. The macroeconomic situation deteriorated between 2012 and 2013 on the back of a higher deficit, but remains satisfactory (34th, down eight). The situation of its labor market (110th, down seven) remains by far the weakest aspect, owing to rigidities in terms of wage setting and hiring and firing procedures—for instance, the World Bank estimates that, on average, the cost associated with making a worker redundant is equivalent to 58 weeks of salary (139th). Furthermore, the participation of women in the workforce remains low (112th). Another area of concern is public health (99th). The incidence of communicable diseases and the infant mortality rate are among the highest outside sub-Saharan Africa. Turning to the more sophisticated drivers of competitiveness, Indonesia's technological readiness is lagging (77th). In particular, the use of ICTs by the population at large remains comparatively low (94th, down 10).

Up seven places, the **Philippines** (52nd) continues its upward trend. The country's gain of 33 places since 2010 is the largest over that period among all countries studied. The results suggest that the reforms of the past four years have bolstered the country's economic fundamentals. The trends across most of the 12 pillars are positive, and in some cases truly remarkable. In the institutions pillar (67th), the Philippines has leapfrogged some 50 places since 2010. In particular, there are signs that the efforts made against corruption have started bearing fruit: in terms of ethics and corruption, the country has moved from 135th in 2010 to 81st this year. The recent success of the government in tackling some of the most pressing structural issues provides evidence that bold reforms can yield positive results relatively quickly. A similar pattern is observed in terms of government efficiency (69th) and the protection of property rights (63rd). Finally, the Philippines has made significant strides in terms of technological adoption (69th, up eight). The country is one of the best digitally connected developing Asian nations, close behind Malaysia (60th) and Thailand (65th). The same cannot be said of infrastructure, however, which remains poor (91st), especially with respect to airport (108th) and seaport (101st) infrastructure. The situation is just as worrisome in the labor market, which suffers from rigidities and inefficiencies: the Philippines ranks a mediocre 91st in this dimension and almost no progress has been made since 2010. Finally, security remains an issue (89th), in particular in terms of costs that the threat of terrorism imposes on businesses (110th).

Up two positions, **Vietnam** ranks 68th, with a performance almost unchanged from last year. Following an episode of double-digit inflation in 2011, its macroeconomic situation continues to improve (75th, up 12 positions), as inflation declined to 6.6 percent. Public institutions also receive a better assessment (85th, up five), on the basis of better property rights protection (104th, up nine), improved efficiency (91st, up 13), and a lower level of perceived corruption (109th, up seven). Progress in this area occurs from a low base, however. The quality of transport and energy infrastructures also improves slightly (81st). In a region where many countries have poorly functioning labor markets, Vietnam ranks a satisfactory 49th, its best showing among the 12 pillars with the exception of the market size pillar (34th). Vietnam's financial sector and its banks remain vulnerable. Technological readiness remains low (99th, up three). The country's businesses are especially slow in adopting the latest technologies (118th), thus forfeiting significant productivity gains through technological transfer. The degree of business sophistication is low (106th, down eight), with companies typically operating toward the bottom of the value chain.

Dropping for the sixth consecutive edition, **India** ranks 71st (down 11), the lowest of the BRICS economies.[2] India's slide in the rankings began in 2009, when its economy was still growing at 8.5 percent (it even grew by 10.3 percent in 2010). Back then, however, India's showing in the GCI was already casting doubt about the sustainability of this growth. Since then, the country has been struggling to achieve growth of 5 percent. Overall, India does best in the more complex areas of the GCI: innovation (49th) and business sophistication (57th). In contrast, it obtains low marks in the more fundamental drivers of competitiveness, such as health and primary education (89th). The country's health situation is indeed alarming: infant mortality (115th) and malnutrition incidence are among the highest in the world; only 36 percent of the population have access to improved sanitation; and life expectancy (110th) is Asia's second shortest, after Myanmar. On a more positive note, India is on track to achieve universal primary education (78th), although the *quality* of primary education remains poor (88th) and it ranks a low 93rd in higher education and training. Transport and electricity infrastructure are in need of upgrading (87th). Market competition and efficiency is affected by various barriers to entry and red tape (95th). For example, it takes 12 procedures (130th) and almost a month to register a business (106th). Businesses also face serious obstacles in the form of a high total tax rate (130th) and an inefficient and rigid labor market (112th). India's lowest pillar rank is in technological readiness (121st). Despite almost ubiquitous mobile telephony, India is one of the world's least digitally connected countries: only 15 percent of Indians access the Internet on a regular basis and broadband Internet, if available at all, remains the privilege of a very few. Furthermore, India's fiscal situation remains in disarray (101st in the macroeconomic environment). With the exception of 2007, the central government has consistently run deficits since 2000. Because of the high degree of informality, its tax base is relatively narrow, representing less than 10 percent of GDP. In addition, over the past several years India has experienced persistently high, in some years near double-digit, inflation, which reached 9.5 percent in 2013 (133rd). Improving competitiveness will help rebalance the economy and move the country up the value chain, ensuring more solid and stable growth; this in turn could result in more employment opportunities for the country's rapidly growing population.

After two consecutive years of steep decline, **Pakistan** (129th) remains essentially stable since last year. The country obtains low marks in the most critical and basic areas of competitiveness. Its public institutions (125th) are constrained by red tape, corruption, patronage, and lack of property rights protection. Its security situation remains alarming (142nd). Pakistan is the third least safe of all countries covered, behind only Yemen and Libya. Thanks to a lower inflation rate and a smaller budget deficit, the country's macroeconomic situation improves slightly but nevertheless remains dismal (137th). Pakistan's infrastructure (119th)—particularly for electricity (133rd)—is underdeveloped. Moreover, the country's performance in terms of health and education is among the worst of all the countries covered. Infant mortality (137th) is the highest outside sub-Saharan Africa, and, with one of the lowest enrollment rates in the world (132nd), it is estimated that almost a quarter of children do not go to primary school. Pakistan's competitiveness is further penalized by the many rigidities and inefficiencies of its labor market (132nd, up six). Female participation in the labor force is the world's fifth lowest (140th). Finally, the potential of ICTs is not sufficiently leveraged, and access to ICTs remains low (114th). On a slightly more positive note, Pakistan does comparatively better in the more advanced areas captured by the GCI, ranking 72nd in the financial development pillar and 81st on the business sophistication pillar.

Covered for the first time last year, **Myanmar** advances five places and ranks 134th. After decades of political and economic isolation, the country is going through profound changes. Its 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. These include an abundance of natural resources, very favorable demographics, and a strategic location in the heart of Asia. Competitiveness is at the core of this strategy. However, Myanmar's challenges are many and the road to prosperity will be a challenging one. The country ranks beyond the 100th rank in 10 out of the 12 pillars of the GCI, but has improved in 11 of them over the past year.

Latin America and the Caribbean

The economic deceleration that started in 2012 continued in 2013, with an estimated growth rate for the region below 3 percent. For 2014, growth forecasts are not more optimistic and, according to the IMF,[3] the region is poised to grow at only 2.5 percent, below the trend of recent years. Overall, the region continues to suffer from strong headwinds related to weak investments, a fall in exports and commodity prices, and tighter access to finance that, to a large extent, fueled growth in recent years.

Building the economic resilience of the region will depend on its capacity to strengthen the fundamentals of its economy by boosting its level of competitiveness. However, regional productivity continues to be low and trailing other emerging or advanced economies. A lack of sufficient investments in growth-enhancing areas, such as infrastructure, skills development, and innovation, coupled with insufficient and delayed reforms needed to improve business conditions and the allocation of resources, result in a certain inability of the local economies of the region to move toward more productive sectors and thus, higher levels of competitiveness.

The need to boost competitiveness by undertaking the necessary investments and by fully and efficiently implementing structural reforms has become not only important but also urgent if the region is to be able to consolidate the economic and social gains that many countries have experienced in past years. Becoming more resilient and less affected by external fluctuations will depend on this.

Chile, at 33rd, regains the position it lost last year and remains the most competitive economy in Latin America, with a very stable profile. The country continues to build up its traditional assets, which are related to a strong institutional setup (28th) with low levels of corruption (25th) and an efficient government (21st); solid macroeconomic stability (22nd) with low levels of both public deficit and public debt; and efficient markets, despite some rigidities in its labor market that result from its persistent high redundancy costs (120th). Notwithstanding these strengths, the current economic context—with its potentially strong headwinds that result from the decline in the price of minerals—highlights the need for Chile to diversify its economy by moving toward more knowledge-based activities. In this context, the country still needs to make major efforts to address some of its traditional weaknesses. Important flaws in the country's education system, notably in terms of its quality (71st)—especially in math and science (99th)—do not provide companies with a workforce that has the necessary skills to upgrade their production or embark on innovative projects; this is regarded as one of the country's most problematic factors for doing business. This difficulty—together with low innovation investment, especially in the private sector (77th)—results in a poor innovation capacity overall (76th), which could jeopardize Chile's necessary transition toward a knowledge-based economy.

Panama continues to follow Chile in the regional rankings and once again scores as the most competitive economy in Central America; it is among the top 50 in the world, despite a fall of eight places to 48th position. This drop is driven by a slight deterioration in the perceived functioning of institutions (74th), most notably in terms of their inability to fight corruption (94th) and raise government efficiency (55th); and the poor quality of the education system (83rd) with its inability to provide the right set of skills for an economy that increasingly needs a skilled labor force to sustain the sharp economic growth of past years. This skills shortage is perceived as one of the most problematic factors for doing business in the country, and is likely to remain a severe obstacle to business in the coming years, representing a bottleneck for Panama's transition toward more knowledge-intensive activities. Notwithstanding these challenges to the economic agenda of the country going forward, Panama continues to benefit from important competitiveness strengths. As it did last year, Panama boasts impressive infrastructure (40th), with some of the best port (7th) and airport (7th) facilities not only in Latin America but in the world, positioning it as a strong transport hub for the region. Its financial market (22nd) and an assessment of its technological adoption (23rd), especially via foreign multinational corporations setting up in the country, remain strong, and its mobile broadband subscriptions (73rd) are increasing.

As in recent editions, **Costa Rica** continues to rise in the rankings, improving three positions to take 51st place. Overall, the country depicts a very stable profile, building on its traditional assets, although it does suffer from some persistent weaknesses. In terms of strengths, Costa Rica is fairly well poised to engage in a rapid transition toward more knowledge-based activities. The country boasts one of the best education systems in the region (21st); a fairly high ICT uptake (45th) with a high international Internet bandwidth capacity (36th) and many mobile broadband subscriptions (20th); and a fairly well developed capacity to innovate (36th) and solid access to technology (39th), thanks to the crucial role that FDI and technology transfer (5th) plays in the country. In addition, Costa Rica benefits from fairly strong institutions (46th), despite a strong sense that government spending may not always be directed toward the most productive activities (120th). Notwithstanding these important strengths, the country's persistent weaknesses hold back its competitiveness. More precisely, its poor transport infrastructure (108th), difficulty in accessing finance either through equity (117th) or loans (118th), and some concerns about its macroeconomic performance and high budget deficit (116th) are all areas the country should address.

Still suffering some of the consequences of the global financial crisis, **Barbados** falls eight positions in the rankings to 55th place. As in the past, this drop is driven by the persistence of the credit crunch that is regarded as the most problematic factor for doing business in the country and that is severely hindering the capacity of local businesses to finance their activities by raising new equity (91st), loans (101st), or venture capital (101st) to support innovative projects. In addition, concerns about macroeconomic conditions (132nd) persist, as Barbados boasts one of the highest public deficits (140th) in the world, one of the lowest savings rates (136th), and public debt (128th) that is quickly approaching 100 percent of the national GDP. The need to stabilize its macroeconomic outlook and ease the flow of financing toward productive investments will be crucial to allow the country to recover the ground lost since the beginning of the crisis. On a more positive note, Barbados continues to benefit from a fairly skilled labor force thanks to a high-quality education system (15th) and high enrollment rates in secondary (19th) and tertiary education (42nd); well-functioning institutions (33rd), despite some concern about the government efficiency in managing public spending (57th); and solid infrastructure (28th).

Brazil drops one position and ranks 57th this year. This decline is driven by insufficient progress in addressing its persistent transport infrastructure weaknesses (77th) and a perceived deterioration in the functioning of its institutions (104th), with increased concerns about government efficiency (131st) and corruption (130th). Brazil also exhibits a weaker macroeconomic performance this year (85th), a further tightening of access to financing, and a poor education system (126th) that fails to provide workers with the necessary set of skills for an economy in transition toward more knowledge-based activities. Addressing these weaknesses, for Brazil as for other BRICS economies, will require implementing reforms and engaging in productive investments. This approach is not only important but has become urgent for reinforcing Brazil's resilience. The country is poised to face strong headwinds related to recent shifts in the global economy, with a drop in the international price of commodities and potential outflows of capital that had come into the country from some advanced economies during the height of the financial crisis. Notwithstanding these challenges, Brazil still benefits from important strengths, especially its large market size and its fairly sophisticated business community (47th), with pockets of innovation excellence (44th) in many research-driven, high-value-added activities.

In spite of the drop of six places, **Mexico** (61st) has adopted important structural reforms in the past year. This fall in the rankings is driven by a deterioration in the perceived functioning of institutions (102nd); the quality of an education system that does not seem to deliver on the skill set that a changing Mexican economy requires; and its low level of ICT uptake (88th), which is crucial for this transformation. In addition, the results show that the benefits of the many adopted reforms intended to increase the level of competition and efficiency in the functioning of Mexico's markets have not yet materialized, highlighting the need for effective implementation that should not be delayed. Recently some changes have been observed, notably in the telecommunications market. As more of these results start to become evident, the country will increase its competitiveness edge. In this process of improvement, Mexico can continue counting on its traditional strengths: its relatively stable macroeconomic environment (53rd), its large and deep internal market that allows for important economies of scale (10th), reasonably good transport infrastructure (41st), and a number of sophisticated businesses (58th), which is uncommon for a country at its stage of development.

Despite **Peru**'s drop of four positions to 65th place, the country continues to be positioned within the top half of the rankings. Concerns about the functioning of its institutions (118th), along with insufficient progress in improving the quality of its education

(134th) and technological adoption (92nd), explain this decline, supporting the idea, highlighted last year, of a certain exhaustion of the sources of the country's competitiveness gains of the past years. Among these gains are a very strong macroeconomic performance (21st) and high levels of efficiency in its goods (53rd), financial (40th), and labor (51st) markets, despite rigidity in hiring and firing practices (130th). Although Peru has recently benefited from strong growth thanks to the rise in the price of minerals, the country should build its resilience by addressing its most long-lasting challenges: it needs to strengthen its public institutions (127th) by increasing government efficiency (116th), fighting corruption (103th), and improving infrastructure (88th). In addition, building up Peru's capacity to generate and use knowledge and thus diversify its economy toward more productive activities will require raising the quality of education (134th), which is now not capable of providing the skills needed for a changing economy; to boost technology adoption (92nd), including a broader uptake and use of ICTs (101st); and to raise its innovation capacity (117th), which remains low. These actions will require time to develop and bear fruit.

Colombia climbs three positions to reach 66th place. It continues to depict a fairly stable competitiveness profile with results similar to those of previous editions across most dimensions, with two notable exceptions that account for this year's improved performance. The first is the country's level of technological adoption (68th), most notably of ICTs (66th). The second is the development of its infrastructure (84th), which remains, nevertheless, the second most problematic factor for doing business in Colombia, after the high level of corruption (123rd). Overall, the country benefits from stable macroeconomic conditions (29th) with a manageable fiscal deficit, low levels of public debt, and inflation that is under control at around 2 percent; financial services that are relatively sophisticated by regional standards (53rd); a large market (32nd); and fairly high levels of education enrollment both at secondary (62nd) and tertiary level (61st), especially when compared with those of other countries in the region. On a less positive note, Colombia continues to suffer from weak institutions (111th) and, as already mentioned, significant levels of corruption (123rd). Despite its improvement, the quality of transport infrastructure is still low (108th). Finally, as is the case for many other countries in the region, Colombia will have to diversify its economy and become less dependent on revenue from mineral resources. In this transformation, the country will need to improve the quality of its education system (90th), which continues to drop, especially in areas such as mathematics and science (109th); it will also need to build a more robust innovation ecosystem (77th), which will require not only more and better public investment but also a decisive recognition on the part of Colombian firms of the need to innovate by undertaking the right set of investments in areas such as R&D (84th) as well as on-the-job training schemes (73rd) and ICT adoption.

Climbing eight places and establishing itself in the middle range of the rankings this year, **Guatemala** is positioned at 78th place, following Panama and Costa Rica in the Central American rankings. The country's rise is led by improvements in its level of competition in the goods market (54th) thanks to the reduction of red tape for new businesses and better infrastructure (67th), although these remain a challenge. Within Central America, **El Salvador** (84th) continues its ascent, climbing 13 ranks; as does **Honduras** (100th), which rises 11 positions, while **Nicaragua** remains stable at 99th position.

In South America, besides Chile and Brazil, the situation remains relatively stable and in need of important changes to improve competitiveness. **Uruguay** (80th) manages to improve its performance, while **Bolivia** (105th) loses seven places, unable to consolidate last year's gain. **Paraguay** falls one place to 120th position; **Argentina** (104th) remains stable; and **Venezuela** (131st) closes the regional rankings, ahead of only Haiti (137th).

Argentina (104th), after several years of falling in the rankings, this year remains stable, albeit at a very low position. One of Argentina's major concerns is to build its economic resilience in a rapidly changing global economic context characterized by lower commodity prices that can drastically affect the Argentine economy. Overall, the country continues to face adverse macroeconomic conditions (102nd) that affect its access to credit (134th). It also suffers from a weak institutional set up (137th), scoring poorly in terms of corruption (139th), government inefficiency (142nd), and government favoritism (143rd). In addition, inefficiently functioning goods (141st), labor (143rd), and financial (129th) markets continue to hinder the country's potential, which is enormous thanks to a relatively large market size (24th) with the potential for important economies of scale and scope, its digital readiness (61st), and its high university enrollment (15th) of more than 78 percent. These assets are not being fully utilized amid the negative framework conditions that hamper the potential of the Argentine economy.

Venezuela (131st) continues to be immersed in a deep macroeconomic (139th) and institutional (144th) crisis. A very unstable macroeconomic environment with high levels of inflation, public debt, and deficit coupled with a weak institutional set up, high levels of corruption, and an inefficient government as well as malfunctioning markets that do not allocate resources effectively result in this poor performance. These deficiencies hinder the country's capacity to leverage some important assets, such as its relatively well educated population, with a high percentage of the population enrolled in tertiary education (16th), and relatively good ICT penetration with more than half of the population using the Internet (60th).

The Middle East and North Africa

Large parts of the Middle East and North African region continue to be affected by geopolitical conflict and turbulence. Yet the emphasis has shifted. Some North African economies, such as Egypt and Tunisia, are slowly stabilizing and are starting to focus on economic reform. Structural reforms and improvements to business environments will help restore the still-shaken investor confidence in countries in transition in the region. Other economies, such as Libya and Lebanon, remain affected by conflict or unrest within their own borders or in neighboring countries. At the same time, some small, energy-rich economies continue to perform well in the rankings, building on their resource-driven wealth to undertake structural reforms and invest in competitiveness-enhancing measures. These endeavors will help drive private-sector employment that, in turn, is necessary to provide sufficient numbers of gainful and sustainable jobs for the countries' populations.

The **United Arab Emirates** takes the lead in the region, moving up to 12th position this year. To some extent this overall ranking improvement is technical and due to the fact that data on tertiary enrollment are no longer available. At the same time, the country's successful bid for Expo 2020 and its strong drive toward reforms have anchored many initiatives to enhance competitiveness. These efforts are paying off: its institutional framework, infrastructure, macroeconomic stability, and ICT use have all improved. Overall, the country's competitiveness reflects the high quality of its infrastructure, where it ranks an excellent 3rd, as well as its highly efficient goods markets (3rd). A strong macroeconomic environment (5th) and some positive aspects of the country's institutions—such as strong public trust in politicians (3rd) and high government efficiency (5th)—round out 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 (38th 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 stronger incentives for the population to attend schools at the primary and secondary levels. Last but not least, further promoting the use of ICTs and a stronger focus on R&D and business innovation will be necessary to diversify the economy and ensure that economic growth is sustainable going into the future.

Qatar falls three places to 16th position. Although the country benefits from high levels of macroeconomic stability and efficient goods and financial markets, as well as high levels of physical security, it will have to step up its efforts to improve a number of areas in order to achieve a more diversified economy. Improving educational outcomes, especially participation in primary and tertiary education; fostering the use of ICTs; and further opening the country up to foreign trade will be necessary to increase productivity in non-hydrocarbon sectors. At a more fundamental level, Qatari businesses would benefit from reduced administrative barriers to set up businesses and from upgrading the transport infrastructure.

Saudi Arabia (24th) loses four positions in this year's edition, based on a less positive assessment of its quality of education and level of domestic competition. The country will need to enhance competitiveness to further diversify its economy and create sufficient number of jobs for the growing workforce. Overall, its competitiveness benefits from high levels of macroeconomic stability (4th) with low debt and a budget that is consistently in comfortable surplus. The country also benefits from the largest market size among the Gulf Cooperation Council (GCC) economies (20th). Yet Saudi Arabia also faces important challenges going forward. For example, health and education do not meet the standards of other countries at similar income levels (50th). In light of the need to create jobs, further emphasis should be placed on education and labor market reforms. Room for improvement remains in particular with respect to higher education and training (57th), where Saudi Arabia's assessment has weakened in recent years. Business leaders consider that the quality of education could be improved especially with respect to training in management (78th) and math and science (73rd). Labor market efficiency (64th) could also be improved, and reform in this area will be critical for Saudi Arabia, given the growing number of young people who will enter its labor market over the next several years. More efficient use of talent—in particular, enabling a growing share of educated women to work—and better education outcomes will increase in importance as 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 such as ICTs can be enhanced further (45th), especially as this is an area where Saudi Arabia continues to trail other GCC economies.

Israel retains the 27th position in this year's GCI. The country's main strengths remain its world-class capacity for innovation (3rd), which rests on innovative businesses that benefit from the presence of some of the world's best research institutions (3rd), support by the government through public procurement policies (9th), and a favorable financial environment for start-ups (availability of venture capital is assessed at 9th place). Yet for the country's innovation-driven competitiveness strategy to be successful and viable going into the future, Israel will have to address some basic competitiveness challenges. Israel's institutions are in need of continued upgrading (43rd) and a stronger focus on raising the bar in education is needed. If not addressed, poor educational outcomes—particularly in math and science (79th) and in primary schools (86th)—could undermine the country's innovative capacity over the longer term. Room for improvement also remains with respect to the macroeconomic environment (50th), although improvements have taken place between 2012 and 2013 as the fiscal deficit and public debt were reduced. At the time of writing, the security situation in the country is once again fragile, which could potentially affect the country's economy, although this has not been the case in the recent past.

Jordan moves back up to 64th place, a rank it held two years ago. The improvement mainly reflects a lower budget deficit and some progress made in education and financial market development. The country is faced with a number of social challenges that require the government's attention: for example, it must address both unemployment among young people (31.3 percent in 2012) and the consequence of the conflict in neighboring Syria, which has brought high numbers of refugees to Jordan. Nevertheless, Jordan has the potential to benefit more from its geographical proximity to GCC economies and Europe, and recent fiscal reforms have created space for shifting spending toward productivity-enhancing measures. The country has a relatively well educated population (48th), vibrant domestic markets (36th), and its stable and rather efficient institutions (37th) are a strong asset in regional comparison. Boosting economic growth over the longer term will require Jordan's policymakers to address a number of challenges. According to the GCI, there is significant room for improvement in boosting labor market efficiency (94th), and the full potential of ICTs for improving productivity has not yet been fully exploited (90th). Jordan could also benefit from more openness to international trade and investment, which would trigger further efficiency gains in its domestic economy and facilitate the transfer of knowledge and technology. Tariff barriers remain high in international comparison (107th) and regulatory barriers to FDI remain in place (73rd). And although bank financing appears to be more easily available than in many other countries (Jordan comes in at 25th on ease of access to loans), efforts to further stabilize its banking sector should be continued (103rd).

Morocco moves up to 72nd position this year, partially recovering from last year's drop. A reduced budget deficit (between 2012 and 2013) and improvements in primary education and innovation support the country's rise in the rankings. Some aspects of its institutions have improved as well, reflecting Morocco's relative social and political stability and efforts made over recent years to modernize its business environment, particularly its administrative aspects. Continuing the process of economic diversification, which has already boosted exports and FDI in higher-value-added industries, will be important for the country's future growth. Building on its competitiveness strengths, such as physical security (39th), some positive aspects of goods markets efficiency (e.g., 32nd on number of procedures to start a business), and a rather solid and efficient banking sector (42nd on soundness of banks), Morocco should continue its successful efforts to address key competitiveness challenges. Necessary measures include boosting education (104th) in terms of both quality and access, and reforming its labor market (111th). With respect to education, making schooling at the secondary and tertiary levels more accessible and attractive to increase enrollment rates in these two segments would ensure that a qualified labor force is available to support economic diversification. In their responses to the Survey, business executives also point out that revising curricula so that skills taught better match the needs of businesses should be a priority. With respect to labor markets, raising the share of women in the labor force would greatly strengthen the talent base available in the country. Last but not least, boosting the use of ICTs among businesses and individuals (84th) would also greatly benefit the country's competitiveness.

Algeria moves up to 79th position this year. This rise is driven mainly by a sounder macroeconomic environment, which remains the country's most important competitiveness strength (11th). Yet improvements are also seen in other areas, such as institutions and physical security, albeit from a low level. Some aspects of education also show a positive trend: for example, the quality of education seems to be improving. A major overhaul of the institutional framework and increased focus on the efficiency of the goods, labor, and in particular financial markets will be necessary to put Algeria's growth on a more sustainable trajectory.

Iran comes in at 83rd, losing one place in comparison to last year's assessment. The economy is expected to stabilize after two difficult years, mainly driven by external developments. This steadier economic context provides an important opportunity for the country to enhance its competitiveness potential. Iran has to build on its solid macroeconomic positioning, its large market size, and its fairly well educated population. Improvements to its institutional framework and measures to heighten the efficiency of its goods, labor, and financial markets would benefit the country's competitiveness and provide an important boost to the country's economic growth in the shorter as well as longer terms.

After dropping for several years in a row, **Egypt** moves down one place to 119th position in this edition.

This assessment points to a certain stabilization in the country following the recent elections. The fragile security situation is improving slightly, although tenacious political and policy instability are undermining the country's competitiveness and its growth potential going forward. While regaining political stability and investor confidence needs to remain the priority as this *Report* goes to print, many of the underlying factors that will be decisive for the stability 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 is vital to Egypt's future and to realizing the considerable potential of its 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 141st position mainly because of a widening fiscal deficit, rising public indebtedness, and persisting inflationary pressures. A credible fiscal consolidation plan, accompanied by structural reforms, will be needed in Egypt. This may prove difficult because of energy subsidies that account for a considerable share of public expenditure. Removing these subsidies may be difficult politically, but there is space for targeting subsidies better in a way that allows for fiscal consolidation while still protecting the most vulnerable. Second, measures to intensify domestic competition (118th) 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, thus fostering the creation of new jobs. And third, making labor markets more flexible (130th) and efficient (139th) would allow the country to increase employment in the medium term and provide new entrants to the labor market with enhanced opportunities.

Sub-Saharan Africa

Amid the economic turmoil that affected advanced economies in recent years, the sub-Saharan African region provided something of a silver lining in an otherwise broadly felt economic downturn. As growth is now modestly returning in advanced economies, sub-Saharan economies carry on registering impressive growth rates of close to 5 percent in 2013—with rising projections for the next two years—below only emerging and developing Asia. Yet important downside risks remain: although inflation has been coming down from the high rates of the past two years thanks to prudent monetary policy and moderating food prices, rising fiscal deficits—which are most exacerbated in Zambia, Ghana, and Gambia—and a slowdown in emerging markets could dampen growth prospects, particularly in resource-rich economies.

More importantly, more than a decade of consistent high growth has not yet trickled down to all segments of the population. Most economic activity takes place in the informal sector, accounting for more than half of GDP and employing more than 80 percent of the population; only one in two young Africans participates in wage-earning jobs.[4] Going forward, the main challenge will therefore be to turn high growth into inclusive growth, touching more of the population. This will require focusing on efforts to transition from still largely agriculture-based economies to higher-value-added activities in order to move the workforce out of agriculture into more productive sectors.[5] The urgency of this transition is highlighted by the region's high population growth. By 2020 more than half of the continent's population will be below the age of 25.[6]

Against this backdrop, much remains to be done to lay the foundations for sustainable long-term growth, requiring efforts across many areas. Indeed, more than half of the 20 lowest ranked countries in the GCI are sub-Saharan, and overall the region continues to underperform in many areas of the basic requirements of competitiveness: the infrastructure deficit remains profound, and despite gradual improvements in recent years, health and basic education remains low. Only a handful of sub-Saharan economies—the island states of Mauritius and Seychelles, in addition to Cape Verde—have noteworthy health and education systems. Higher education and training also need to be further developed to provide the skills required for higher-value-added growth. The region's poor performance across all basic requirements for competitiveness stands in contrast to its comparatively stronger performance in market efficiency, where several of the region's middle-income economies fare relatively well. Although large regional variations remain in terms of competitiveness—ranging from Mauritius, now a solid 17 places ahead of the second-ranked South Africa, to the lowest ranked Guinea at 144th—efforts to strengthen the very basic requirements for long-term growth will be crucial for sustaining economic growth and making it more inclusive. These efforts will need to emphasize closing the infrastructure deficit and providing the region's (young) population with the necessary skills to carry out higher-value-added employment.

Mauritius continues its steady upward trend this year, moving up six positions to 39th place and consolidating its lead in the region. Progress is driven by gradual improvements across seven out of the 12 pillars. Overall, the country benefits from relatively strong and transparent public institutions (36th), with clear property rights, strong judicial independence, and an efficient government (26th). Private institutions are rated as highly accountable (14th), with effective auditing and accounting standards and strong investor protection (12th). The country's transport infrastructure is well developed by regional standards (42nd), especially in terms of ports, air transport, and roads. In addition, the country this year also records improvements in its electricity and telephony infrastructure (44th). Furthermore, the country's wide-ranging structural reforms that have taken place since 2006 are bearing fruit, as evidenced by its continuous improvements in the areas of market efficiency: financial markets are comparatively deep (26th), its efficient goods market (25th) is characterized by enabling conditions for both domestic and foreign competition, and its labor market efficiency (52nd) has been improving thanks to increased flexibility (18th). Going forward, as income per capita rises and Mauritius moves up the value chain, more effort will be needed to develop its human capital. Although rising enrollment rates, particularly tertiary enrollment, are laudable (40.32 percent in 2012) and its overall score in the quality of education has been improving, other countries are moving even faster. Improving competitiveness will require additional efforts not only to improve higher education and training (54th) but also to mobilize the country's talent more efficiently (101st), as evidenced by the low share of women in the labor force (115th).

South Africa continues its downward trend and falls to 56th place this year, third among the BRICS economies. South Africa does well on measures of the quality of its institutions (36th), including intellectual property protection (22nd), property rights (20th), the efficiency of its legal framework in challenging and settling disputes (9th and 15th, respectively), and its top-notch accountability of private institutions (2nd). Furthermore, South Africa's financial market development remains impressive at 7th place,[7] although our data point to more difficulties in all channels of obtaining finance this year. The country also has an efficient market for goods and services (32nd), and it does reasonably well in more complex areas such as business sophistication (31st) and innovation (43rd), benefitting from good scientific research institutions (34th) and strong collaboration between universities and the business sector in innovation (31st). South Africa's transport infrastructure (32nd) is good by regional standards, although its electricity supply does suffer disruptions (99th). But the country's strong ties to advanced economies, notably the euro area, has made it more vulnerable to the economic slowdown of those economies. These ties are likely to have contributed to the deterioration of fiscal indicators: its performance in the macroeconomic environment—having dropped sharply in the previous year—remains at 89th. Low scores for the diversion of public funds (96th), the perceived wastefulness of government spending (89th), and a more general lack of public trust in politicians (90th) remain worrisome, and security (95th) continues to be a major area of concern for doing business. Building a skilled labor force and creating sufficient employment also present considerable challenges. The health of the workforce is ranked 132nd out of 144 economies—as a result of high rates of communicable diseases and poor health indicators more generally. Higher education and training remains insufficient (86th) and labor market efficiency (113th) is affected by extremely rigid hiring and firing practices (143rd), wage inflexibly (139th), and continuing significant tensions in labor-employer relations (144th). Raising education standards and making its labor market more efficient will thus be critical in view of the country's high unemployment rate of over 20 percent, with its youth unemployment rate estimated at over 50 percent.

Botswana remains stable this year at 74th place, the fourth spot in the region. Among the country's strengths are its relatively reliable and transparent institutions (39th), with efficient government spending and low levels of corruption, as well as its sound macroeconomic environment (13th), based on balanced fiscal budgets. However, the country's heavy reliance on diamond mining (which accounts for one-third of GDP and government revenues) renders it vulnerable to fluctuations in demand, as seen during the global crisis. Botswana's education system presents another area of concern, particularly for a middle-income country in transition to becoming an efficiency-driven economy. Education enrollment rates at all levels remain low by international standards, and the quality of the education 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 country registers one of the highest rates of HIV and one of the lowest life expectancies in the world. Furthermore, its goods market must become more efficient (97th) and its infrastructure must be upgraded (101st), as evidenced by the recent electricity shortages. Going forward, combined efforts across all areas will be needed if the country is to reduce its heavy dependence on the mining sector and to set its economy on a more diversified growth path.

Namibia moves up by two places to 88th position. The country continues to benefit from a relatively well functioning institutional environment (50th), with well-protected property rights, an independent judiciary, and a fairly efficient government. The country's transport infrastructure is also good by regional standards (52nd) and financial markets continue to be reasonably developed (46th). In order to improve its competitiveness, as in much of the region, Namibia must improve its health and education systems. The country ranks a low 118th on the health subpillar, with high infant mortality and low life expectancy—the result, in large part, of its high rates of communicable diseases, although the data point to an improvement this year. However, to move up the value chain and diversify its economy, efforts to build its human resource base will be critical: school enrollment rates remain low compared with other sub-Saharan upper-middle-income countries, and the quality of its education system remains poor (119th). In addition, Namibia could do more to harness new technologies to improve its productivity levels (89th).

Kenya continues its upward trend from last year and moves up by six places to reach 90th place, registering improvements in 11 out of 12 pillars, most notably in the areas of market efficiency. Its economy is supported by financial markets that are well developed (up by seven places to 24th position), an efficient labor market (25th), and an increasingly more efficient goods market (62nd). Reducing the number of days (32 days) and procedures (10, or rank 118) to start a business could further improve the enabling environment for businesses. Following the adoption of the country's new constitution in 2010, which introduced additional checks and balances on executive power, Kenya has also registered improvements in the institutions pillar (now at 78th, up from 123rd five years ago). These advances are largely driven by more efficient government and reduced corruption. Furthermore, the country's education system gets relatively good marks for quality (30th) as well as for on-the-job training (31st). On the other hand, Kenya's overall competitiveness is held back by a number of factors that hinder its long-term economic growth, particularly in view of its transition toward middle-income status: secondary and tertiary enrollment rates are low; infrastructure—particularly telephony and electricity (114th)—does not meet the needs of Kenya as the largest East African economy; weakening fiscal finances are affecting the macroeconomic environment (126th); and health remains an area of serious concern (117th). Finally, the security situation in Kenya also remains worrisome (128th).

Ghana reverses last year's downward trend and climbs up to 111th this year, largely as the result of slight improvements in its macroeconomic indicators (reversing last year's trend), although fiscal vulnerabilities persist: the government deficit stood at 10.8 percent of GDP in 2013, more than twice that of two years ago; government debt remains over 60 percent; and inflation is over 11 percent. With regard to strengths, public institutions are characterized by relatively high government efficiency (59th) and strong property rights (54th). In addition, the country's financial and goods markets are also relatively well developed (62nd and 67th, 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). The security situation, at 111th, also remains a concern.

Senegal comes in at 112th this year. Although the country's institutions (74th) rank still relatively low, our data suggest a steady improvement across a range of indicators, albeit from low levels. Senegal also benefits from relatively efficient goods and labor markets (both at 68th place), red tape to start a business is low even by international comparison (six days and four procedures), and labor-employer relations are reasonably good (57th). Moreover, Senegal hosts relatively good ports (58th), although all other modes of transport require significant upgrading (93rd 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 low compared with its middle-income peers, and communicable diseases continue to erode the health of the general population. Higher education and training (119th) are also in need of improvement. These challenges—among others—are prioritized in the country's new growth strategy, the Plan Sénégal Emergent (PSE).[8] In addition, the country's macroeconomic environment remains challenging and is characterized by a high government deficit of 5.4 percent of GDP.

Côte d'Ivoire reverses its five-year downward trend and climbs to 115th place this year. The quality of its public institutions (86th) has continued to improve since the end of the 2010–11 post-election conflict, although from very low levels and in spite of being dragged down largely by the country's security situation (107th). Improvements this year also take place on the back of continuing fiscal consolidation and efforts to reduce red tape for the private sector; for example, it now takes eight days to start a business compared with over a month last year. Like many of its sub-Saharan peers, the country has a labor market that is fairly efficient (73rd), a ranking that is primarily driven by its high flexibility (40th). Going forward, however, critical challenges remain. Infrastructure (93rd)—although improving—remains underdeveloped. Moreover, Côte d'Ivoire does not meet basic needs in terms of health and primary education (140th), ranking among the lowest 10 countries worldwide on the related pillar. Only 60 percent of its children are enrolled in primary education, and the burden of communicable diseases—particularly the high incidence of malaria and HIV—weighs heavily on its limited workforce, which also does not fully integrate women (107th). Furthermore, technological adoption is low across private users and the business sector, with only 3 percent of the population using the Internet.

Ethiopia moves up to 118th this year, facing challenges across all pillars despite its recent record growth rates. The functioning of its institutions (96th) receives a weaker assessment across almost all indicators, including property rights, ethics and corruption, and government efficiency. Furthermore, the country's goods market (124th) remains inefficient. Ethiopia also requires significant improvements in the areas of infrastructure (125th), higher education and training (131st), and technological readiness (133rd). On a more positive note, this year points to a slight improvement in the country's labor market, although concerns about the quality of labor-employer relations (97th), hiring and firing practices (78th), and the alignment between pay and productivity (99th) remain. Primary education, with a net enrollment rate of 86 percent, is comparatively good (although the quality of primary education requires improvement), and women account for a high percentage of the country's labor force.

Tanzania is ranked 121st in this edition. Inflation—although still high at close to 8 percent—returned to single digits this year, although fiscal indicators remain relatively high. In addition, some aspects of its labor market—such as the country's strong female participation in the labor force (6th) and reasonable redundancy costs—lend themselves to efficiency. On the other hand, the country's institutions have been deteriorating over the last several years—although government regulation is not seen as overly burdensome (61st), corruption remains high (98th) and policymaking continues to be opaque (111th). Infrastructure in Tanzania is underdeveloped (130th), with poor roads and ports and an unreliable electricity supply (125th). 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 132nd and 134th place, respectively), while the quality of the education system needs upgrading. A related area of concern is the country's low level of technological readiness (131st), with 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 119th in this area, with poor health indicators and high levels of communicable diseases. In regional comparison, the country's goods market also remains inefficient, characterized by low domestic and foreign competition. In the near-term future, it will be important not to lose sight of these challenges for the country's long-term competitiveness, as the country is in the final stages of preparing its new constitution as well as holding elections next year.

Zimbabwe ranks 124th this year. Public institutions continue to receive a weak assessment, particularly related to corruption, government favoritism, and the protection of property rights (138th), reducing the incentive for businesses to invest. 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 (87th), which is characterized by high government debt, a negative savings rate, and low inflation. Weaknesses in other areas include health (129th in the health subpillar); low education enrollment rates, with only every second child participating in secondary education; and formal markets that continue to function with difficulty, particularly goods and labor markets, which rank 133rd and 137th, respectively.

Nigeria—now Africa's largest economy—continues its downward trend and falls by seven places to 127th this year, largely on the back of weakened public finances as a result of lower oil exports. Institutions remain weak (129th) with insufficiently protected property rights, high corruption, and undue influence. In addition, the security situation remains dire (139th). Nigeria must continue to upgrade its infrastructure (134th) as well as improve its health and primary education (143rd). Furthermore, the country is not harnessing the latest technologies for productivity enhancements, as demonstrated by its low rates of ICT penetration. On the upside, Nigeria benefits from its relatively large market size (33rd), which bears the potential for significant economies of scale; a relatively efficient labor market (40th) driven by its flexibility (20th); and a solid financial market (67th) following its gradual recovery from the 2009 crisis. However, poor availability and affordability of finance in general and the difficulties in obtaining loans in particular (137th) remain an important bottleneck to economic growth. Ahead of the 2015 election cycle, it will, thus, be critical to keep the ongoing reform momentum to diversify the economy and increase the country's long-term competitiveness.

Mozambique ranks 133rd this year, with efforts required across many areas to lift its economy onto a sustainable growth and development path, particularly in view of its natural resource potential. The country's public institutions receive poor marks 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 weak (110th) on the back of increased inflation and a high government deficit. Looking ahead, significant reform will be needed to advance the country's long-term competitiveness, including making critical investments across all modes of infrastructure (128th), establishing a regulatory framework that encourages competition to foster economic diversification, and developing a sound financial market (126th). Also critical, in view of the country's rapidly growing population and high unemployment, are investing in the healthcare system and primary education (135th) as well as higher education and training (138th).

Angola—the continent's second biggest oil exporter—ranks 140th overall. As with its oil-exporting peers, its strengths are in its macroeconomic environment and market size, but much remains to be done across the board to build up the country's competitiveness. Given its favorable fiscal stance, Angola 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, Angola's infrastructure is one of the least developed globally (139th), and its population would be well served by improvements in its education and health systems (136th).

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 See Box 2 in Chapter 1.1 of *The Global Competitiveness Report 2014–2015* for more details about India's GCI rankings and competitiveness challenges.

3 IMF 2014a.

4 World Bank 2014.

5 Overall, the agricultural sector in GDP remains high at 25%, accounting for more than 60% of employment on average and for more than 80% in many countries. See AfDB, OECD, and UNDP 2014.

6 IMF 2014b.

7 The Central Bank's bailout of African Bank Investments on August 11, 2014, is not reflected in the EOS data this year, but might affect the country's performance in this pillar in the following year.

8 See http://www.gouv.sn/Plan-Senegal-Emergent-PSE.html.

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