CHAPTER 2

Regional and Country Analysis

This chapter features regional trends and selected country analysis from the 2019 edition of the Global Competitiveness Index 4.0 (see page xiii for the full rankings).

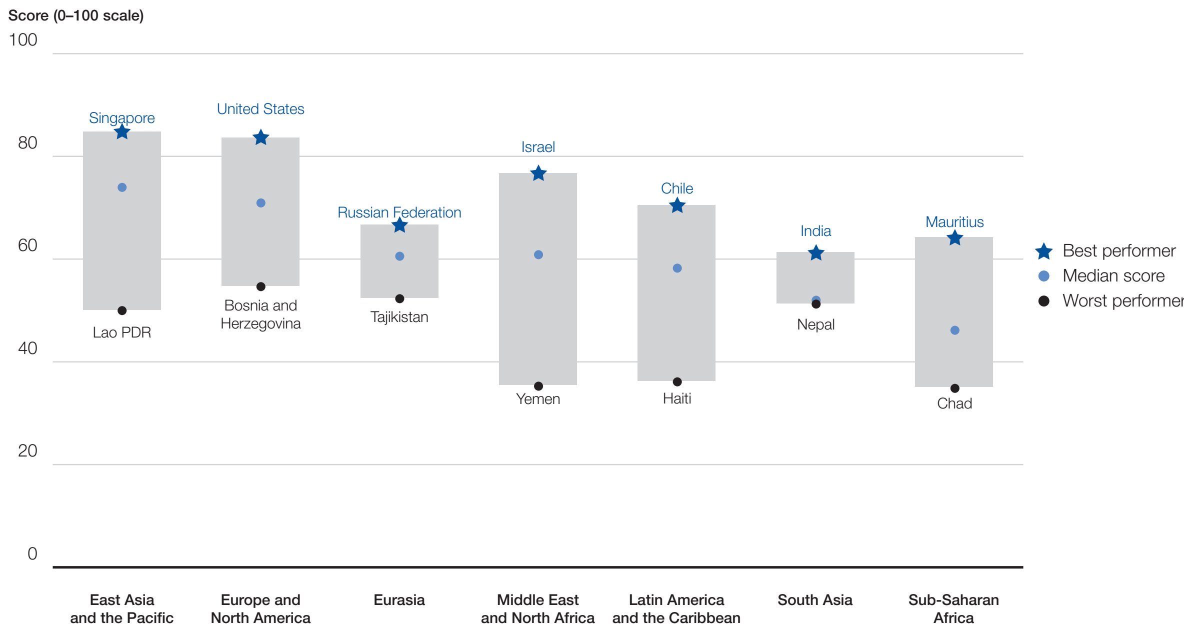
Combining the GCI scores at a regional level reveals significant differences in both median competitiveness levels across regions as well as dispersion of performances within regions. Overall, the results show that East Asia and the Pacific (17 countries) achieves the highest median score (73.9) among all regions, followed closely by Europe and North America (70.9, based on 39 countries). However, within the East Asia and the Pacific region the competitiveness gap between the best and worst performers is significantly larger (34.7) than in Europe and North America (28.9). This shows that, while many countries in East Asia and the Pacific have come a long way to bring their competitiveness up to a high level, there are a few that need to progress faster to bridge their gaps. For instance, comparing the lowest performers in East Asia and the Pacific and Europe and North America, Lao PDR's score (50.1) remains about 5 points lower than that of Bosnia and Herzegovina (54.7). The Middle East & North Africa, Latin America and the Caribbean, and Sub-Saharan Africa present similar levels of dispersion in competitiveness performance (Figure 1).

Contrasts are often stark even within sub-regions—in the EU, Germany's overall competitiveness score (81.8) is 20 points higher than Greece (62.6)—or between two neighbouring countries. For instance, there are approximately 20 points between the GCI performance of the Dominican Republic (58.3) and Haiti (36.3), between Colombia (62.7) and Venezuela (41.8), and between Thailand (68.1) and Cambodia (52.1).

The lowest median regional average is Sub-Saharan Africa's (46.3), where 17 of the 34 economies covered by the GCI are among the bottom 20 globally. However, many countries in this region have improved their competitiveness performance this year, helping Sub-Saharan Africa become one of the most improved regions (+2.3%). As shown in Figure 2, only the score of the Middle East and North Africa region has improved faster than that of Sub-Saharan Africa, while East Asia and the Pacific follows closely behind, continuing its upward trend. These movements—combined with the fact that competitiveness gaps *across* regions remain large—highlight how the convergence of developing and emerging economies is ongoing but slow, and still requires decades before it can be completed. On the other side of the spectrum, Europe and North America is one of the world's slowest-improving areas. Although this region includes several advanced economies that have already achieved a strong competitiveness performance, there should be no complacency and advanced and developing economies alike should constantly improve their productivity with appropriate structural reforms.

Figure 1: Competitiveness gap within regions

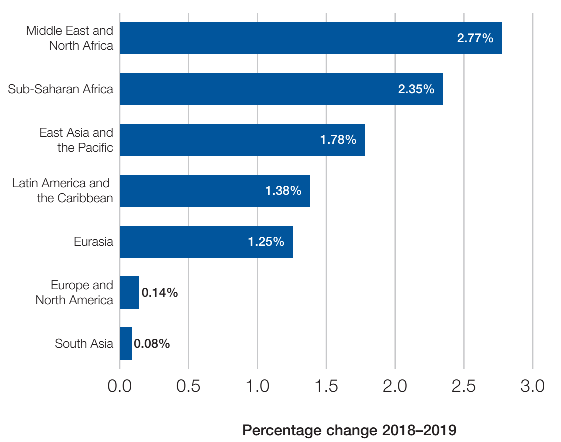
Best, median and worst GCI 4.0 2019 scores, by region



Source: World Economic Forum analysis.

Note: See the At a Glance section on page xiii for regional classifications. Regions are arranged according to median scores.

Figure 2: Change in median competitiveness performance, by region



Source: World Economic Forum analysis.

Note: See the At a Glance section on page xiii for regional classifications. Regions sorted according to median scores.

Cross-regional disparities are more visible across the 12 pillars (Table 1). Regional gaps in Health, ICT adoption and Infrastructure stand at 38.4, 36.2 and 34.7 points, respectively; these are significantly higher than the overall gap of 28 points between the best-performing and worst-performing countries. To some extent, some of the largest cross-regional differences are concentrated in those pillars where most regions attain median scores relatively close to the ‘frontier’ (the best possible performance). In other dimensions, such as the Innovation capability pillar, cross-regional differences are comparatively smaller since even the most innovative regions are only half-way from the frontier. High regional score variance across pillars captures how difficult it is to build and manage a competitive ecosystem and perform well on all dimensions of competitiveness at the same time.

Large regional variances are also observed in terms of changes over time (Table 2). ICT adoption stands out as the area where developing economies are catching up relatively more quickly, even if advanced economies continue to progress. When it comes to the Health pillar, Sub-Saharan Africa is making strides to catch up with other areas of the world—while most of the other regions registered a slight step backward in 2019. Further, all regions except Middle East and North Africa are somewhat less open than last year, capturing the effect of trade tensions and the possibility of a significant setback in international trade.

Table 1: Regional performance, by pillar
Average score (0–100)

	Enabling Environment				Human Capital		Markets				Innovation Ecosystem	
Region (alphabetical order)	Institutions	Infastructure	ICT adoption	Macroeconomic stability	Health	Skills	Product market	Labour market	Financial system	Market size	Business dynamism	Innovation capability
East Asia and the Pacific	61.6	74.8	70.3	89.6	83.8	67.3	62.2	66.6	74.3	67.9	66.1	54.0
Eurasia	53.8	67.7	59.5	74.9	71.3	66.1	56.1	63.5	52.0	50.3	61.9	35.5
Europe and North America	64.7	79.7	70.4	92.6	89.1	74.6	60.0	66.4	70.9	60.1	68.3	58.1
Latin America and the Caribbean	47.1	61.3	50.9	73.7	82.2	58.7	51.6	55.9	60.3	51.2	53.8	34.3
Middle East and North Africa	55.5	70.5	57.6	75.3	80.8	62.9	56.7	54.8	63.7	59.9	58.2	41.3
South Asia	50.0	59.2	35.1	74.7	68.4	50.1	45.8	51.5	60.0	67.7	57.8	36.3
Sub-Saharan Africa	46.9	45.0	34.3	69.4	50.8	44.3	49.3	54.6	50.8	40.4	51.8	29.4

Source: World Economic Forum analysis.
Note: See the At a Glance section on page xiii for regional classifications. Darker shades indicate better performance.

Table 2: Changes in regional performance, by pillar
Percentage change 2018–2019

	Enabling Environment				Human Capital		Markets				Innovation Ecosystem	
Region (alphabetical order)	Institutions	Infastructure	ICT adoption	Macroeconomic stability	Health	Skills	Product market	Labour market	Financial system	Market size	Business dynamism	Innovation capability
East Asia and the Pacific	–0.1	0.7	4.4	0.9	–0.6	0.6	0.0	1.1	2.0	1.0	0.6	2.0
Eurasia	1.5	2.1	4.2	4.5	–2.8	0.9	–1.9	3.0	2.5	1.1	2.9	1.9
Europe and North America	0.3	1.2	3.7	0.9	–1.7	0.5	–3.3	0.2	2.0	0.7	0.0	0.0
Latin America and the Caribbean	–1.4	0.2	9.8	–0.5	–0.6	2.2	–4.3	1.1	1.4	–2.5	2.8	1.8
Middle East and North Africa	1.2	1.4	4.8	–4.3	1.0	1.1	2.7	3.4	2.2	1.0	2.1	4.3
South Asia	–0.3	–0.8	6.4	0.8	0.0	0.8	–3.1	–0.5	1.6	1.2	2.3	–0.1
Sub-Saharan Africa	–1.2	–2.9	15.8	3.7	5.8	2.1	–2.3	1.5	0.7	4.0	1.4	3.6

Source: World Economic Forum analysis.
Note: See the At a Glance section on page xiii for regional classifications. Darker shades indicate a better performance.

Selected country commentaries

The following section provides an overview of selected economies; namely, the top 10 global economies, G20 countries outside the top 10, as well as Chile, Israel and Mauritius, which are the best performers in their respective regions. Economies appear in alphabetical order.

Unless mentioned otherwise, all pillar and indicator scores cited in this section are measured on a 0-to-100 scale, where 100 corresponds to the ‘frontier’, the *ideal* situation where the factor no longer represents a constraint on productivity, and 0 corresponds to a completely *unsatisfactory* one. Ranks listed are out of the 141 economies that are covered in the 2019 edition of the report.

Australia ranks 16th overall, down two places from 2018. Its score is almost unchanged compared with last year (78.7, –0.2 points). It ranks 3 places ahead of New Zealand (76.7), which is ranked 6th within the East Asia and the Pacific region. Australia’s strengths include Macroeconomic stability (100), Skills (80.6, 13th) and Financial system development (85.9, 13th). Though Australia also ranks high on the Health pillar (94.9, 17th) it is on a negative trend: healthy life expectancy at birth—70.4 years—is one year shorter than last year. Product market efficiency is a relative strength (5th, 71.4)—but the 30-point gap from the frontier suggests room for improvement. On this and other pillars, scores hover around 70 points, indicative of significant room for improvement. Australia's performance is largely in line with the OECD average, except for its results on the Institutions (72.9, 17th) and Innovation capability (69.5, 18th) pillars, as well as the Business dynamism (75.3, 16th) pillar, where it fares significantly better. Australia ranks 29th, its lowest showing, on both the Infrastructure pillar (79.2) and the ICT adoption pillar (73.6), where it trails both China and the Russian Federation.

Argentina loses two positions this year, falling to the 83rd globally. The economy has been in a recession since 2018 (GDP declined by 2.5% in 2018 and by 1.2% in 2019 on a yearly basis),[1] leading to an increase in the unemployment rate (9.9%[2]) and in the number of people falling into multidimensional poverty (31.3%).[3] Despite recent efforts to stabilize the economy, resurging inflation (29.9%, 138th) and increasing deficits have led to a less stable macro-economic context (139th) that has undermined investors' confidence and led to capital flights. Local and foreign investors have moved over $35 billion out of the country since last year, forcing the government to re-introduce capital controls.[4] Business executives have also reduced their perceptions on Argentina's legal framework (i.e. the judicial independence score fell by 3.9 points and the country ranks 112th) and government's policy stability (ranking 118th, also down 11 places), further discouraging private sector's investments. While stabilizing the economy remains the main priority, resolving the duality of labour market (51.8, 117th) and strengthening the financial system (52.9, 105th) are also high on Argentina's economic agenda. Worsening macro-economic conditions and lack of progress on the Labour market and Financial system pillars have reduced the effect of the dimensions on which Argentina has improved this year, including sounder business dynamism (+2.9 points, 80th), thanks to a significant reduction in regulations on starting a business, and Skills (+3.9, 31st). On a positive note, education attainment is trending upwards (mean years of schooling increased by 13%, ranking the country 36th) and recent efforts to upgrade curricula in secondary and tertiary education (+3.0 points, 61st) and vocational training (+4.7, 27th) have been judged positively by business leaders.

Brazil ranks 71st globally, one position higher than the last assessment, and 8th in the Latin American and Caribbean region. Economic growth is slowly picking up (2%) after the 2015–2016 recession. Further improving Brazil's productivity is of paramount importance for the country's social agenda as well. Fighting high unemployment (11.4%)[5] and resurging poverty rates[6] are a priority and this year's GCI improvements—however small—are a first step towards laying the foundations for greater prosperity. This year's GCI result has been driven mainly by a significant simplification of regulations to start and close a business, which has boosted the Business dynamism pillar score (+7.8 points, 67th); by lower inflation (currently at 3.6%); and by a somewhat better labour market efficiency (+2.5 in score, yet starting from a low rank, 105th). In addition to these improvements, the competitiveness performance of Brazil also benefits from a relatively high innovation capability level (40th) and from the size of its market (81.3, 10th). On the other hand, further progress on macroeconomic stability (115th), should be accompanied by greater trade openness (125th), especially in terms of applied tariffs (12.3% on average; 128th) and non-tariff barriers (135th); better security (132nd); and sounder government stability (130th). Further, Brazilian business leaders rate excessive red tape (with a score of 11.4, ranking 141st) and lacking long-term vision from the government (23.9, 129th) among the most pressing priorities to revamp the country's competitiveness, closely followed by excessively distortive taxation (25.3, 136th). Going forward, as the global economy strives to become more inclusive and sustainable, governments are increasingly expected to set the course towards higher social and environmental standards and their long-term vision and policies will be critical to achieve these goals.

Canada is 14th globally, losing two places and 0.3 points since the 2018 assessment. Canada's economy has been hit by external shocks stemming from global trade tensions. The less favourable economic environment has been reflected in somewhat more negative business leaders' views across several dimensions. For instance, Canadian business leaders have revised down their assessment on two important aspects of competition: competition in services (where it ranks 62nd, losing 2.5 points in score and falling 18 places in rank), and the labour market (it ranks 54th on internal labour mobility, falling 25 places over 2018 and losing almost 4 points in score). Further, though Canada's healthy life expectancy has shortened by two years since the last assessment, it remains among the top 14 countries in the world (70.5 years) on this indicator. Despite a slight decline on these aspects, Canada remains a competitive economy with very stable macro-economic conditions (100, 1st), sound financial system (87.1, 9th), good institutions (74.1, 13th) and well-developed human capital (88.2, 12th). In terms of technology and innovation, Canada's performance on the ICT adoption (70.3, 35th) and Innovation capability (74.0, 16th) pillars indicate that it is close to the frontier, but not yet a powerhouse. Further improvements in mobile broadband infrastructure and usage (67th), greater investments in R&D (23rd) and collaboration between companies, universities and research centres (15th) would benefit Canada's competitiveness going forward.

Chile (70.5, 33rd) maintains a steady performance and leads the Latin America and Caribbean region. Chile can count on a stable macro-economic context (1st), thanks to low inflation (2.25%) and low public debt (25.56%), competitive and open markets (68.0, 10th) and a strong financial system (82.0, 21st). The next step towards an even stronger competitiveness performance is to enhance the skills base (69.8, 47th), increase the diffusion and the use of ICT at a faster rate (63.1, 56th) and improve innovation capability (42.5, 53rd). For instance, Chile would benefit from modernizing school curricula to match the requirements of the economy (59.7) and increasing R&D expenditure (0.36% of GDP, 74th) to boost patenting activity (score 30, 46th). Other competitiveness factors that could be improved include security, where homicide rates are still high with respect to other OECD economies (4.3 per person, 89th); insufficient use of ICT in the public-sector (82.0, 45th); and red tape (77th). Finally, as a regional leader, Chile should take a stronger stance on sustainability (45th), especially when it comes to energy efficiency regulation (59.0, 43rd).

China ranks 28th overall, unchanged from the previous edition. Its score increased by 1.3 points, driven by a significant boost in ICT adoption (78.5, 18th). China is by far the best performer among the BRICS economies: 15 places ahead of the Russian Federation, 32 places ahead of South Africa and some 40 places ahead of both India (68th) and Brazil (71st). China's strengths obviously include the sheer size of its market (100, 1st, when combining the domestic and export markets) and macroeconomic stability (98.8, 39th). In several areas, China's performance is almost on par with OECD standards. For example, China outperforms 25 OECD countries on the ICT adoption pillar. At 68.1 years, healthy life expectancy is 1.5 years longer than in the United States and only 0.8 years shorter than the OECD average. Infrastructure is also well developed (77.9, 36th). Finally, China has been rapidly increasing its innovation capability (64.8, 24th). However, the country's innovation ecosystem would benefit from a more efficient, more open and fairer domestic market that would allow for more intense competition and better allocation of resources (57.6, 54th). The functioning of the labour market (59.2, 72nd) is severely undermined by insufficient workers' rights protection, rigidities in wage determination and redundancy, conflictual industrial relations, low participation of women, high tax on labour, and lack of internal mobility. At the same time, educational institutions as well as businesses are struggling to keep up with evolving skills needs of the economy (64.1, 64th). Given the disruptions brought about by the pace of technology diffusion in China and the growing knack for innovation, the lack adaptability of human capital could hurt China's development and eventually hurt social cohesion. Of all pillars, Institutions is the weakest (56.8, 58th). Weak checks and balances (36.0, 119th) and low social capital (43.3, 119th) drive down the performance in this pillar.

With a score of 81.2 **Denmark** attains the 10th position in the global rankings, stable since the last assessment. Denmark improves its performance in 10 out of 12 pillars, with the Financial system (+1.0 points, 11th) and Institutions (+1.5, 7th) pillars recording the most significant progress. With respect to its financial system, Denmark has increased the availability of venture capital (+6.7 points, 33rd) and credit to SMEs (+3.6, 25th)—while the quality of its institutions has benefited from further upgrades to the administrative efficiency of the public sector (+4.5, 12th) and checks and balances (+4.5, 7th). These developments further enhance Denmark's competitiveness, which can already rely on a stable macroeconomic environment (100, 1st with other 32 economies), widespread ICT adoption (82.3, 9th), modern skills (85.7, 3rd) and a robust labour market (78.2, 3rd). Within labour market dynamics however, Denmark imposes increasingly restrictive regulations on hiring foreign labour (45.0, 105th) and rigid wage determination (55.9, 118th), which, if relaxed, could make Denmark the most efficient labour market in the world. A secondary aspect where Denmark took a slight step backward in 2019 is innovation. Despite ranking 11th in terms of innovation capability and investing 2.87% of its GDP on R&D expenditures (9th), these investments have been reduced. A third area that business leaders identify as a priority is competition in the provision of services' (60th). This contrasts with the strong competition policy of the country in all other sectors (72.7, 4th).

France is up two notches over 2018 and now ranks 15th. The overall score is up 0.8 points to 78.8. It places 8th in Europe and 7th among the EU 28. France features in the top 10 on four pillars and outperforms the OECD average in 10 of the 12 pillars. Strengths include macroeconomic stability (a nearly perfect score of 99.8), health (at 71.7 years, the country boasts the seventh-longest healthy life expectancy in the world), infrastructure (89.7, 9th), financial system development (85.9, 14th) and market size (81.6, 9th). France is a prominent innovation hub, entering the top 10 for its Innovation capability pillar performance (77.2, and 9th, up two places). Now fifth in Europe on this pillar, it still trails Germany (86.8, 1st) by 10 points. France's innovation ecosystem would benefit from a stronger entrepreneurial culture (56.6, 36th). The country scores relatively low on measures of entrepreneurial risks (52.9, 55th), management culture (61.4, 42nd) and company agility (52.3, 30th). In addition, France, like Germany and the United States, must boost ICT technology adoption (73.7, 28th). Here, France is 20 points behind global leader Korea and lags behind China (78.5, 18th) and Russia (77.0, 22nd) as well. Within Europe, the country's gaps with the Nordic and the Baltic countries range between 5 and 15 points. Importantly, France must improve its skills base (71.9, –0.7 points, 35th) and the functioning of its labour market (62.9, +2.8, 50th, up 7 places), a traditional weak spot of France's competitive landscape—although the situation has been improving over the past two years. Both aspects undermine the adaptability of the workforces in the face of profound transformation and disruptions brought about by the Fourth Industrial Revolution (see Chapter 1).

Germany ranks 7th overall, down 4 places, the result of a one-point decline on its overall score (81.8) and the improvement of other countries. Germany ranks third in Europe, behind the Netherlands (4th) and Switzerland (5th). Germany loses ground on 53 of the 103 indicators composing the index and improves on 18. Nonetheless, Germany's performance remains strong across the board: the country features in the top 10 of seven pillars, ranking first in two of them, and beats the OECD average on all pillars with one notable exception, ICT adoption. For the second consecutive year, Germany boasts the best innovation capability (1st) in the world, with a score of 86.8 (–0.7 points), ahead of the United States (84.1) and Switzerland (81.2). Other strengths include infrastructure (90.2, 8th), macroeconomic stability, for which it earns the perfect mark of 100, market size (86.0, 5th), and health (92.3, 31st), even though Germany's healthy life expectancy of 69.5 years is one of the shortest among European nations and five years below Singapore's. Germany can also rely on a highly educated labour force (84.2, 5th), but there is a need to address the skills gap through upskilling and reskilling of the current workforce and improving the employability of graduates (68.4, 13th). Germany's biggest weakness is the relatively low level of ICT adoption. Ranked 36th, 30 points away from the frontier, the country ranks behind all the Baltic and Nordic countries, a number of Gulf countries, China and Russia. With fewer than one subscription per 100 people—compared with 32 in Korea and 20 in Lithuania—fibre optic broadband access remains the privilege of the few. Though ranked high, product market efficiency (68.2, 9th) and labour market functioning (72.8, 14th) offer room for improvement.

Up four places, **Hong Kong SAR** ranks third overall, behind Singapore and the United States, thanks to a 0.8 point improvement to its overall score (83.1).[7] Hong Kong features in the top 10 of eight pillars—a record—and outperforms the OECD benchmark on every pillar. Hong Kong ranks first on four pillars—the most of any economy—in which it is at, or near the frontier score of 100: Macroeconomic stability (100), Health (100), Financial system (91.4) and Product market (81.6). Furthermore, it ranks 3rd on the Infrastructure (94.0) and ICT adoption (89.4) pillars. Hong Kong's biggest weakness is undoubtedly its limited capability to innovate. With a score of 63.4 (26th), it lags behind Singapore (13th) by 12 points. Another differentiating factor between the two economies is the labour market. Here (75.8, 7th) Hong Kong is penalized for the lack of worker rights' protection (10, 116th), whereas Singapore's workers protection score is 89 (18th).

India ranks 68th, down 10 places in 2019. The drop is only partly the consequence of a relatively small decline in score (61.4, –0.7 points), but also, and more significantly, the progress made by several countries ranked close to India: Colombia (62.7, +1.1 points, 57th), Azerbaijan (62.7, +2.7, 58th), South Africa (62.4, +1.7, 60th) and Turkey (62.1, +0.5, 61st). India trails China (28th, 73.9) by 40 places and 14 points. Along with Brazil (71st, 60.9), it is among the low-performing BRICS, although the competitiveness profiles of the two economies are quite different. India ranks beyond 100th on five pillars and features in the top 50 of just four pillars. However, it does rank high on macroeconomic stability (90, 43rd) and market size (93.7, 3rd); and its financial sector (69.5, 40th) is relatively deep and stable despite the high delinquency rate (10% of the loan portfolio, 106th), which contributes to weakening the soundness of its banking system (60.4, 89th). India performs well when it comes to innovation (50.9, 35th), well ahead of most emerging economies and on par with several advanced economies. This contrasts with major shortcomings in some of the basic enablers of competitiveness. ICT adoption is limited (31.1, 120th) but has improved sharply (+8 since the 2017 edition). India achieves mixed results on the various aspects of governance (56.8, 59th). Transport (66.4, 28th) and electricity (86.6, 103rd) infrastructures have improved significantly over the past two years, although from a low base. Electrification rate was almost 90% in 2017, up 7 percentage points from 2015. At the same time, health conditions remain poor, as reflected in low healthy life expectancy (59.4 years, 109th), which is one of the shortest outside Africa and significantly below the South Asian average. India must also grow its skills base (50.5, 107th). Product market efficiency (50.4, 101st) is undermined by a lack of trade openness (43.9, 131st) and the labour market is characterized by a lack of worker rights' protections, insufficiently developed active labour market policies and critically low participation of women (ratio of female workers to male workers of 0.26, 128th).

Indonesia ranks 50th, down five places from last year. The decline in overall GCI score is small (0.3 to 64.6) and its performance essentially unchanged. It ranks fourth within ASEAN, behind Singapore (1st), Malaysia (27th) and Thailand (40th). Indonesia's main strengths are its market size (82.4, 7th) and macroeconomic stability (90.0, 54th). Regarding its performance on the other pillars of the index, there is considerable room for improvement with a distance to frontier between 30 and 40 points, although there is no major gap. Indonesia boasts a vibrant business culture (69.6, 29th) and a stable financial system (64.0, 58th)—both of which are improvements over 2018—and a high rate of technology adoption (55.4, 72nd), considering the country's stage of development and that the quality of access remains relatively low. Innovation capacity remains limited (37.7, 74th), but is increasing.

Israel ranks 20th on the overall GCI for 2019. Its performance is almost unchanged from last year, with a stable rank and negligible score variations on the overall score (+0.1 points, 76.7) and scores on the individual pillars. The country is an innovation hub, ranking 15th on the Innovation capability pillar thanks to a well-developed ecosystem. Israel spends the most of any country on R&D (4.3% of GDP), and is where entrepreneurial culture is the strongest, the acceptance for entrepreneurial failure the highest, where companies embrace change the most, and where innovative companies grow the fastest. Israel can also rely on a highly-educated workforce, with an average of 13 years of schooling (12th). The country ranks 2nd behind the United States both for its ease of finding workers with the right skills and for the availability of venture capital, which also supports a flourishing and innovative private sector. Despite this context, however, the rate of basic technological adoption (67.6, 45th) is well below the OECD average (73.0). Other areas with room for improvement include institutions, due to persistent security concerns (42nd), burdensome regulation (69th) and low commitment to sustainability (81st). Finally, market efficiency (61.8, 32nd) suffers from a relative lack of competition and barriers to entry.

Italy's performance has slightly improved, increasing in score by 0.7 and moving up one rank to reach the 30th position globally. Italy's performance this year is driven mainly by small advances in the financial system (+3.3 points, 48th), where non-performing loans are being gradually absorbed (–2.7% this year), and access to finance to both SMEs and venture capital are slightly improved (+4.5 and +4.8, respectively), though starting from a low base (119th and 111th, respectively). Similarly, the efficiency of the legal framework has recorded slightly higher scores (+5.1 points, yet again from a low base, 132nd), and ICT adoption (+4.2, 53rd) and Infrastructure (+1, 18th) have gradually improved over the past few years. At the same time, Italy maintains competitive advantages in terms of Innovation capability (65.5, 22nd) and Health standards (99.6, 6th). Yet some bottlenecks are still hindering Italy's competitiveness. Among them, high public debt (132% of GDP) represents a looming risk and a burden for economic policy; the labour market (56.6, 90th) remains to a large extent dual (too rigid in some segments and too precarious in others), despite some recent reforms; taxes on labour are high by international comparison (130th); and talent is not sufficiently rewarded (103rd). Institutional quality (58.6, 48th) attains a mixed result, combining some positive factors and some areas for improvement. While Italy is a relatively safe country, with one of the lowest homicide rates in the World (0.7 cases per 100,000 people, 20th) the government's capacity to adapt to changes is limited (28.9, 128th) and there is insufficient administrative efficiency (45.3, 96th).

Japan ranks sixth overall, down one notch over 2018. Despite the small drop in overall score (82.3, –0.2 points), performance across the 12 pillars is almost unchanged. Small gains on some pillars are offset by small declines on others. Japan ranks third in the East Asia and the Pacific region, behind Singapore and Hong Kong SAR. It features in the top 10 of six pillars, scoring above 90 on Infrastructure (93.2, 5th), Macroeconomic stability (94.9, 42nd) and Health (100, 1st). Japan is one of the most technology-savvy nations in the world (86.2, 6th) and its financial sector is large, deep and stable (85.9, 12th). The country also benefits from the large size of its market (86.9, 4th, when combining the domestic and export markets). Japan delivers a consistent and very solid performance on the other pillars, with no score below 70. Nonetheless, in each of the categories, there are specific aspects that systematically undermine the general performance. On the Skills pillar (73.3, 28th), for example, while mean years of schooling among the workforce is among the highest in the world (12.8 years, 14th), inadequate teaching methods (e.g. 87th for critical thinking in teaching) help to fuel the skills gap (56.7, 54th). Japan's labour market (71.5, 16th) is undermined by various rigidities (e.g. 104th for hiring and firing flexibility) and low female participation (76 female workers for 100 male workers, 62nd). These and other factors, such as risk aversion (52.7, 58th), rigid corporate culture (65.7, 27th) and low workforce diversity (50.7, 106th) undermine business dynamism (75.0, 17th) and innovation capability (78.3, 7th). While Japan is one of the world's top innovators, it scores nearly 10 points behind Germany (86.8).

The **Republic of Korea** improves its overall score by 0.8 points and progresses two ranks to 13th globally. It now ranks fifth in the East Asia and the Pacific region, behind Singapore (1st), Hong Kong SAR (3rd), Japan (6th) and Taiwan (China) (12th). Korea features in the top 10 of five pillars and leads the world in ICT adoption with a score of 92.8. The country boasts the most optical fibre connections per capita in the world (31.9 subscription per 100 people) and 96% of the population uses the internet on a regular basis. Korea obtains the world's best mark on the Macroeconomic stability pillar, and is one of world's innovation hubs (79.1, 6th). Notably, however, the innovation ecosystem could be strengthened by encouraging entrepreneurship (52.1, 55th), which is currently undermined by cultural and sociological factors such as reluctance to change (49.6, 42nd) and high risk aversion (47.0, 88th), because of the stigma associated with failure, patriarchal corporate culture (53.0, 85th), and lack of diversity (54.5, 86th). The weakest aspect of Korea's performance is market inefficiencies (56.1, 59th), due primarily to the lack of domestic competition (53.5, 66th) and high trade barriers (58.6, 76th). Another major weakness is Korea's labour market (62.9, 51st), which is characterized by a rigid, de facto two-tier system of 'insiders', who enjoy permanent contracts and generous benefits, and precarious 'outsiders'; very low female participation by OECD standards (78 for 100 men, 59th); conflictual industrial relations (43.2, 130th); and relatively poor worker rights' protections (93rd).

Mauritius is the regional leader in Sub-Saharan Africa, with a global score of 64.3 and rank of 52nd. The country has improved its performance by 0.6 points; however, overcome by other faster-evolving economies, it has lost three places in the rankings. Mauritius is well-positioned in terms of institutional quality (64.7, 29th), with relatively high security standards (41st) in the regional context, developed social capital (21st), strong corporate governance (14th) and relatively strong commitment to sustainability (28th). At the same time Mauritius has further upgraded its infrastructure (+0.7 points, 64th) and ICT adoption (+6.2, 43rd), and is one of the most open countries in the world (64.5, 6th), conditions that provide excellent basic conditions to do business. However, this progress has been counterbalanced by a slight decrease in terms of macroeconomic stability (-0.6 points, 57th), led by increasing public debt, and lower education attainment (school life expectancy is at 15 years, 0.5 points lower than the latest assessment). At the same time, the labour market remains somewhat rigid (52.1, 113th) and does not fully match pay and productivity (50.0, 68th), limiting talent development. The slow accumulation of human capital combined with low innovation capability (38.1, 70th), may explain why Mauritius has not yet evolved into an innovation-led economy. Investment in research & development is insufficient (95th), and less capital-intensive aspects (i.e. university-companies collaboration, 38.3, 106th) are limited, stifling the realization of a functioning innovation ecosystem.

Mexico is 48th—and improves its score performance by 0.3 points—yet it drops two places due to other countries improving at a faster rate. Uncertainty and trade tensions stemming from US international trade policy constitute a headwind impeding the further socio-economic development of Mexico, reducing the expectations of business leaders and, consequently, their willingness to invest. In this context, Mexico's competitiveness performance is mixed. On one hand it has achieved some progress on all its four lowest-ranked pillars: Institutions (+0.6 points, 98th), Labour market (+1.4, 96th), Skills (+0.4, 89th) and ICT adoption (+3.7, 74th). On the other hand, these improvements have been, to some extent, insufficient to fill the gap with other more competitive economies. For instance, in terms of skills, education attainment is still low (8.6 years on average, 84th) and curricula are not up to date (digital skills, 99th, critical thinking, 103rd). Similarly, improvements to institutions have been concentrated in the public sector's administrative efficiency (+4.5 points, 59th), while security (138th) and transparency (116th) are still problematic. Further, there are a few areas where performance declines. Inflation, for example, has increased (5.5%, 111th), healthy life expectancy has fallen by 0.9 years (60th), and lack of improvements in transport infrastructure (-1.3, 51st) require further efforts to advance Mexico's competitiveness closer to the frontier and to that of the top-ranked economies.

Ranked 4th globally and up two places from 2018, the **Netherlands** overtakes Germany as the most competitive country in Europe. With a score unchanged from last year (82.4), the Netherlands owes its rank progression to the declining performance of both Germany and Switzerland. The country's own performance is consistently strong across all pillars, and it appears in the top 10 of six of them. In particular, it receives high marks for macroeconomic stability (100), health (94.2, 21st) and infrastructure quality (94.3, 2nd). The innovation ecosystem is well developed, thanks to a highly skilled workforce (84.6, 4th), vibrant business dynamism (80.6, 2nd, just behind the United States) and advanced innovation capability (76.9, 10th). The institutional framework is among the best in the world (78.6, 4th), too, scoring high in every aspect, including security (90.1, 17th), checks and balances (81.1, 3rd), efficiency (77.1, 5th) and commitment of the government to sustainability (88.6, 3rd).

The **Russian Federation** ranks 43rd globally, the same position as last year despite a score improvement of 1.1 points. Notably, the macroeconomic environment (43rd) has improved substantially (+2.5 points and up 12 places in rank): the 2015 recession has now been overcome, inflation is as low as 3% and public finance is sustainable (43rd). In addition, Russia has improved its Innovation capability pillar by 2.2 points (ranking 32nd) thanks to increased quality of its research institutions (9th) and constant R&D expenditure (1.1% of GDP, 34th). Innovation is also supported by increased ICT adoption (+4.9 points, 22nd) thanks to a particularly rapid diffusion of the internet, reaching 81% of the population (39th). On a less positive note, the skills base of Russia's labour force is eroding (–0.2 points, 54th). Russian business leaders have revised down their assessment of the skillset of secondary education graduates (–0.1 points). Hence, while educational attainment remains relatively high—an average Russian student is expected to stay in school 15.5 years (38th)—the quality of education is not keeping up with the needs of a modern economy. A second area where Russia still needs to reduce its competitiveness gap is the financial system (55.7, 95th). Insufficient access to finance is limiting the competitiveness of Russian firms at multiple levels: it has become relatively harder for SMEs to receive loans (–0.9, 118th); banks are burdened by non-performing loans that have reached 10% of outstanding loans (107th); and the Russian equity market is somewhat underdeveloped (38.9, 51st) relative to the size of its economy.

Saudi Arabia improves two positions, reaching 36th, globally. Saudi Arabia is making strides to diversify its economy: the non-oil sector is expected to expand in 2019, and further public and private investments outside the mineral sector will be deployed over the next few years. The determination of Saudi Arabia to initiate a process towards structural transformation of its economy is mostly visible in terms of ICT adoption (38th), a pillar where the country has gained 9.4 points. Underpinning this result is the rapid deployment of broadband technology (subscriptions to broadband internet have increased from 90 to 111 per 100 people) and a significant increase in internet users (+18.4%, 13th). At the same time, innovation capability is gradually improving (+3.2, 36th); in particular, the increase in the number of patent applications (+3.0 points, 40th) and the level of R&D expenditures (0.8% of GDP, 43rd). Despite these efforts, however, business dynamism (53.1, 109th) is still limited by regulations that slow the entry and exit of new companies. For instance, insolvency regulations are suboptimal (135th), and it still takes a relatively long time to start a business (100th). Similarly, the labour market is somewhat rigid (56.6, 89th) and not sufficiently meritocratic (56.6, 98th). Better use of talent is needed to complement the investments undertaken to modernize and diversify the economy.

An improvement of 1.3 points in its overall score, combined with the United States' lower performance, allows **Singapore** (84.8) to overtake the United States (83.7) at the top of the GCI 4.0 rankings. Singapore improves from an already high base on 10 of the 12 pillars, and its score on every pillar is between 4 and 19 points higher than the OECD average. The country ranks first on the Infrastructure pillar (95.4), where it also ranks first for road quality infrastructure, efficiency of seaport and airport services, and sea transport connectivity. It also tops the Health (100), Labour market (81.2) and Financial system pillars (+2.0 points, 91.3), and achieves a nearly perfect score for Macroeconomic stability (+7.1, 99.7, 38th). Performance in terms of market efficiency (81.2, 2nd behind Hong Kong SAR) is driven by the fact that Singapore is the most open economy in the world. Singapore ranks 2nd (80.4) for the quality of public institutions, behind Finland, but its performance is undermined by limited checks and balances (65.9, 23rd)—Singapore notably ranks 124th on the Freedom of the Press Index—and lack of commitment to sustainability (63.5, 66th). Going forward, in order to become a global innovation hub, Singapore will need to promote entrepreneurship and further improve its skills base, albeit from a relatively high base (78.8, 19th).

South Africa's competitiveness has regained momentum after the recent political landscape shift and climbs 7 places to 60th. The country is a regional financial hub (83.2, 19th), with well-developed equity, insurance and credit markets, all achieving a score of 100. South Africa has also developed one of the most advanced transport infrastructures in the region (58.7, 45th) and is among the top countries in Africa for market size (68.6, 35th). Beyond these established strengths, health conditions—though starting from a low base (118th)—are better, adding 3.3 years to the average healthy life expectancy since the last assessment. Institutional quality has also improved (+3.3 points, 55th) but unevenly. Some aspects of this category have achieved remarkable progress, including restored balance of powers across different state's entities (+7.7 points, 16th), enhanced administrative efficiency of the public sector (+6.3, 39th) and corporate governance (+3.3, 26th). By contrast, other aspects continue to perform poorly: security (42.7, 135th) remains one of the main restraints to South Africa's competitiveness, while transparency (43.0, 62nd) and government adaptability to change (39.6, 100th) are also below par. Further, South Africa's competitiveness is being held back by relatively low business dynamism (61.9, 60th), which is inhibited by insolvency regulation and administrative burdens to start a business, and a persistently insufficient labour market flexibility (52.1, 111th). For instance, flexibility of wage determination is limited (41.1, 134th) and hiring foreign labour is difficult (40.6, 123rd). South Africa's sensitivity to exports of mineral resources is likely to hit the country's economic outlook and will make reducing unemployment (projected above 27%) challenging. Against this backdrop, structural reforms are needed to re-ignite the economy and offer better opportunities to a larger share of South African citizens.

Switzerland drops one rank to 5th overall (–0.3 points, 82.3), and second in Europe behind the Netherlands (4th), which overtakes Germany as Europe's most competitive economy. The country features in the top 10 of eight pillars—tying Hong Kong SAR for the most appearances in the top 10. It obtains the maximum score on the Macroeconomic stability pillar and a near perfect score for Infrastructure (93.2, 4th). Its financial market is among the most developed and most stable (89.7, 4th). Switzerland's performance is outstanding in areas related to human capital. Switzerland boasts the fifth-longest healthy life expectancy in the world (72 years) and it ranks first on the Skills pillar (86.7), overtaking Finland. It is the best in the world for vocational training (90.8), on-the-job training (79.0) and employability of graduates (81.4). Combined with a well-functioning labour market (79.5, 2nd), Switzerland's talent adaptability with regard to the disruptions brought about by the 4IR is second to none. Its talent base contributes to making Switzerland one of the world's top three innovators, ranking third (81.2) on the Innovation capability pillar behind Germany and the United States. The two areas with the most room for improvement are market efficiency (63.8, 25th), which is severely undermined by high trade barriers (54.7, 87th)—the country also ranks 141st and last for the complexity of its tariff regime—and business dynamism (71.5, 22nd), undermined by a relative aversion for entrepreneurial risk (59.1, 25th) and the relative reluctance of companies to embrace disruptive ideas (53.8, 26th).

Turkey is stable at 61st globally, a slight improvement (+0.5 points) over last year. Turkey's performance is mixed, with significant progress in some dimensions while losing some ground in others. Among the most improved elements, Turkey advances on ICT adoption (+4.3 points, 69th), Infrastructure (+1.7, 49th) and Labour market (+1.7 points, albeit starting from a low base or ranking 109th) pillars. These improvements, in addition to the large market size (13th), sustain Turkey's competitiveness performance. A more granular analysis shows that on ICTs, Turkey has significantly expanded the diffusion of the internet across the country (users increased by 12.7%, 64th), and fixed broad-band technologies (+3.1 points, 59th). In terms of infrastructure, Turkey can rely on very strong air transport connectivity (12th) and road networks (+3.9 points, 27th). When it comes to its labour market (109th), where it remains in 99th position, there have been some minor but important improvements, including ease of hiring foreign labour (+4.1 points, 63rd), workers' rights (+7.4, 109th) and the participation of women in the workforce (+3.4 points, 112th). As these rankings show, more progress is needed going forward, yet changes do highlight a step in the right direction. Another aspect that can be looked at with optimism is skills' development. Although the quantity (100th) and quality (113th) of skills of the current workforce are below par, the future workforce is accumulating significantly more human capital (school life expectancy is at 17.7 years, 14th) and acquiring relatively more modern skills (91st). On the other hand, Turkey's progress in this area is counterbalanced by a significant deterioration of its macro-economic environment (–6.1 points, 129th), driven mainly by higher inflation (13.7%, 132nd) and, to a lesser extent, a slight decline in product market efficiency (–1.1 points, 78th), which is caused mainly by lower performance on non-tariff barriers (–1.5 points, 79th). Remaining open while lowering inflation will be the key challenges for Turkey to improve its competitiveness.

With a score of 75.0, the **United Arab Emirates** ranks 25th, gaining two positions since the last edition. Significant improvements on the ICT adoption (+8.2 points in score, 2nd) and Skills (+2.5 points, 39th) pillars complement long-standing UAE competitive advantages: stable macroeconomic environment (100, 1st with 32 other economies), sound product market (71.7, 4th) and infrastructure (88.5, 12th). Possibly supported by investments related to the upcoming Expo-2020, transport infrastructure improves by an additional four points this year, providing the country with one of the most modern transport systems in the world. Further, the financial system is well-developed (73.8, 31st), and it may offer further opportunities to invest in equities (39th) and insurance products (71st), while the banking sector is still deleveraging and absorbing non-performing loans (83rd). The labour market (66.2, 34th) could also be further improved by striking a better balance between flexibility (22nd), workers' rights (116th) and women's participation (109th), which would allow for a better valuation of human capital. To even further enhance human capital, improvements in education and skills should be accompanied by better general health conditions. Healthy life expectancy is somewhat low (63.1 years, 91st), and declined from the previous assessment. Boosting human capital would lay the foundations to create a sounder innovation ecosystem and propel the country into one the most competitive countries in the world.

The **United Kingdom,** with a score of 81.2, drops one rank to 9th, down 0.8 points since last year. In Europe, it places fifth behind the Netherlands (82.4, 4th overall), Switzerland (82.3, 5th overall), Germany (81.8, 7th) and Sweden (81.2, 8th). The UK features in the top 10 of six of the 12 pillars. Its strengths include macroeconomic stability—where it achieves the maximum score of 100 on the related pillar—infrastructure (88.9, 11th) and financial system development (88.1, 7th). The country can rely on a highly educated workforce (81.9, 11th), but there is room for improving the employability of graduates (62.3, 29th), digital skills among the workforce (65.6, 29th), and training and reskilling opportunities (62.7, 29th). The past year has seen a weakening of business dynamism (–2.0 points, 77.0, 9th) and innovation capability (–1.0 points, 78.2, 8th), as well as a sharp drop in market efficiency, which represents the UK's weakest category (64.6, 21st), as a result of lower domestic competition (–4.1 points, 64.3) and trade openness (–5.2 points, 64.9, 25th). The quality of public institutions is assessed less positively this year (-2.4, 74.4, 11th, down 4 places). Finally, ICT adoption, while increasing, remains low by OECD standards: the country ranks 31st globally and only 16th in Europe, with a score of 73.0, which is 20 and 15 points lower than the scores of Korea and Sweden, respectively.

The **United States** ranks 2nd this year, dropping one place. The IMF forecast for next year is 1.87%, decelerating from the previous assessment, but still higher than those of many other advanced economies.

Uncertainty among business leaders affects the performance of nine of the GCI's 12 pillars this year, yet some areas register a more noticeable drop compared to others. In particular, within the Product market pillar, domestic competition is six points lower than in 2018 and trade openness is more than four points lower. With respect to Human Capital, the Health conditions (55th) pillar lost 3.5 points and Skills (9th) lost 3.8 points in score since last edition. Although the skillsets of American graduates remain strong (71.2, 5th), business leaders consider them less adequate to the meet their needs (the indicator score is about 10% lower than last year, dropping three places in rank). Further, within the Labour market pillar (4th), business leaders rate re-skilling programs as less effective (12.2 points lower) and regulations on hiring foreign labour more restrictive 31st (–7.8 points). Despite an overall weaker performance this year, the United States remains one of the most competitive economies in the world. It is still an innovation powerhouse, ranking 2nd on the Innovation capability pillar and 1st in terms of Business dynamism, boasting the second-largest market, and home to one of the most dynamic financial systems in the world (score 91.0, 3rd).

Notes

1 IMF, 2019.

2 Ibid.

3 Bonfiglio, 2019.

4 Johnson, 2019.

5 IMF, 2019.

6 World Bank.

7 Results are based on data collected before the recent political developments and the protests that ensued. Therefore, they do not reflect any of their potential consequences—positive or negative—on the drivers of competitiveness.

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