News Release

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

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Declining Openness a Major Threat to Global Competitiveness

- *The Global Competitiveness Report 2016-2017* finds declining openness is threatening growth and prosperity
- Monetary stimulus measures such as quantitative easing are not enough to sustain growth and must be accompanied by competitiveness reforms
- For emerging economies, updated business practices and investment in innovation are now as important as infrastructure, skills and efficient markets.
- Switzerland, Singapore and the United States remain the world's most competitive economies; India is the highest rising economy, climbing 16 places
- Access the full report, infographics, videos and more here

Geneva, Switzerland, 28 September 2016 – A ten-year decline in the openness of economies at all stages of development poses a risk to countries' ability to grow and innovate, according to *The Global Competitiveness Report 2016-2017*, which is published today.

The report is an annual assessment of the factors driving productivity and prosperity in 138 countries. The degree to which economies are open to international trade in goods and services is directly linked to both economic growth and a nation's innovative potential. The trend, which is based on perception data from the Global Competitiveness Index (GCI)'s Executive Opinion Survey, is gradual and attributed mainly to a rise in non-tariff barriers although three other factors are also taken into account; burdensome customs procedures; rules affecting FDI and foreign ownership. It is most keenly felt in the high and upper middle income economies.

"Declining openness in the global economy is harming competitiveness and making it harder for leaders to drive sustainable, inclusive growth," said Klaus Schwab, Founder and Executive Chairman, World Economic Forum.

The report also sheds light on why quantitative easing and other monetary policy measures have been insufficient in reigniting long-term growth for the world's advanced economies. The report finds that interventions by economies with comparatively low GCI scores failed to generate the same effect as those performed in economies with high scores, suggesting that strong underlying competitiveness is a key requirement for successful monetary stimulus.

The report offers insight into how priorities may be shifting for nations in earlier stages of development. While basic drivers of competitiveness such as infrastructure, health, education and well-functioning markets will always be important, data in the GCI suggests that a nation's performance in terms of technological readiness, business sophistication and innovation is now as important in driving competitiveness and growth.

GCI 2016-2017 Top 10 economies

GCI 2016-2017	Country/Economy	GCI 2015-2016	
1	Switzerland	1	→
2	Singapore	2	→
3	United States	3	→
4	Netherlands	5	↑
5	Germany	4	↓
6	Sweden	9	↑
7	United Kingdom	10	↑
8	Japan	6	↓
9	Hong Kong SAR	7	↓
10	Finland	8	↓

The Global Competitiveness Index in 2016

For the eighth consecutive year, Switzerland ranks as the most competitive economy in the world, narrowly ahead of Singapore and the United States. Following them is Netherlands and then Germany. The latter has climbed four places in two years. The next two countries, Sweden (6) and the United Kingdom (7) both advance three places, with the latter's GCI score being based on pre-Brexit data. The remaining three economies in the top ten; Japan (8), Hong Kong SAR (9) and Finland (10) all move backwards.

While **European** economies continue to dominate the top ten, there remains no end in sight for the region's persisting north-south divide. Spain improves by one point climbing to 32, however Italy drops back one place to 44 and Greece reverses 5 places to 86. France, the Eurozone's second largest economy, climbs one place to 21. For all economies in Europe, maintaining and improving prosperity levels will depend heavily on their ability to harness innovation and the talents of their workforces.

There is some sign of convergence in the competitiveness of the world's largest **emerging markets**. China, on 28, remains top among the BRICS grouping although another surge by India – which climbs 16 places to 39 – means there is now less of a gap between it and its peers. With both Russia and South Africa moving up two places to 43 and 47 respectively only Brazil is declining, falling six places to 81.

The competitiveness gap in **East Asia and Pacific**, meanwhile, is widening. Although 13 of the 15 economies covered consecutively since 2007 have been able to improve their GCI score over the past decade, this year sees reversals for some of the larger emerging markets in the region: Malaysia drops out of the top twenty, falling seven places to 25; Thailand drops two to 34; Indonesia falls 4 places to 41 while the Philippines drops ten to 57. A consistent theme for all the region's developing countries is the need to make inroads into the more complex areas of competitiveness related to business sophistication and innovation if they are to break out of the middle-income trap.

The drop in energy prices has heightened the urgency of advancing competitiveness agendas across the **Arab world**. With three economies in the top thirty; the United Arab Emirates (16); Qatar (18); and Saudi Arabia (29) there remains a clear need for all energy-exporting nations to further diversify their economies and for much greater effort to improve basic competitiveness among the region's energy-importing nations.

Two countries in Latin America and the Caribbean make it into this year's top 50. Chile, the outlier in the region on 33, climbs two places although the gap is closing with the second highest ranked economy, Panama (up 8 places to 42). Next comes Mexico which performs strongly with a 6-point climb to 51. Argentina and Colombia, the third and fourth largest economies in the region, rank 104 and 61 respectively.

One of the most improved nations in **sub-Saharan Africa** is Rwanda, which rises 6 places to 52. It is closing in on the region's traditionally most competitive economies, Mauritius and South Africa, although both these countries register more modest improvements, climbing to 45 and 47 respectively. Lower down the ranking, Kenya climbs to 96, Ethiopia holds steady at 109 while Nigeria slips three to 127.

"To me, the interest in economic growth comes from the fact that it is potentially so important for improving human welfare. *The Global Competitiveness Report* helps us understand the drivers of growth and this edition comes at a time of stalling productivity, the main determinant of future growth," said Xavier Sala-i-Martin, Professor of Economics at Columbia University.

Notes to Editors

The Global Competitiveness Report's competitiveness ranking is based on the Global Competitiveness Index (GCI), which was introduced by the World Economic Forum in 2005. Defining competitiveness as *the set of institutions, policies and factors that determine the level of productivity of a country*, GCI scores are calculated by drawing together country-level data covering 12 categories – the pillars of competitiveness – that collectively make up a comprehensive picture of a country's competitiveness. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

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