

**PRESS RELEASE**  
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**SPAIN FALLS SIX PLACES IN WORLD ECONOMIC FORUM'S 2005  
COMPETITIVENESS RANKINGS**

**Spain goes down from 23rd to 29th place and from 9th to 12th among EU members**

**Geneva, Switzerland 28 September 2005** – Spain has seen an erosion with respect to 2004 in all three components of the Forum's competitiveness index: macroeconomic environment, public institutions and the technology component of the index which assesses the country's technological potential, its capacity for innovation and the strength of its underlying ICT infrastructure.

"No single factor explains Spain's drop in rankings. Rather it is the accumulation of several, each making a small contribution. Among them: a swing from budget surplus to a small budget deficit last year; the strength of the euro, which in 2004 hurt all euro area members; greater concern on the part of the business community about rising crime; some deterioration – in relation to other countries – in university enrolment rates, and a deterioration in relative cellular telephone penetration rates. The business community suggests that there is a bit less technology transfer through FDI than used to be in the past as well. None of these factors individually is a source of major concern but the authorities and the business community will have to work closely together to create an even friendlier environment for private sector activity, to enable the country to unambiguously move to the top half of performance in Europe," said Augusto Lopez-Claros, Chief Economist and Director of the World Economic Forum's Global Competitiveness Programme.

**Finland** remains the most competitive economy in the world and tops the rankings for the third consecutive year in *The Global Competitiveness Report 2005-2006*, released today by the World Economic Forum. The **United States** is in second position, followed by **Sweden, Denmark, Taiwan** and **Singapore**, respectively.

The rankings are drawn from a combination of hard data, publicly available for each of the economies studied, and the results of the Executive Opinion Survey, a comprehensive evaluation conducted by the World Economic Forum, together with its network of partner institutes (leading research institutes and business organizations) in the countries covered by the Report. This year nearly 11,000 business leaders were polled in a record 117 economies worldwide. The survey questionnaire is designed to capture a broad range of factors affecting an economy's business environment that are key determinants of sustained economic growth. Particular attention is placed on elements of the macroeconomic environment, the quality of public institutions which underpin the development process, and the level of technological readiness and innovation.

The World Economic Forum has been producing *The Global Competitiveness Report* for 26 years, and its unique mix of hard and soft data has made it possible to accurately capture the broad range of factors seen to be essential to a better understanding of the determinants of growth. Each year it has delivered a comprehensive overview of the main strengths and weaknesses in a large number of countries, making it possible to identify key areas for reform and policy formulation.

## Highlights

- **Finland is number one in the Growth Competitiveness Index (GCI) rankings** and holds this position for the fourth time in the last five years. The country is very well managed at the macroeconomic level, but it also scores very high in those measures that assess the quality of its public institutions. Furthermore, the private sector shows a high proclivity for adopting new technologies and nurturing a culture of innovation. The **United States**, as last year, is ranked second: the country demonstrates overall technological supremacy, with a very powerful culture of innovation. However, technological prowess is partly offset by a weaker performance in other areas measured by the index. The US has a relatively low rank of 20 for the contracts and law indicator, with particular concerns on the part of the business community about the government's ability to maintain arm's-length relationships with the private sector, and in the formulation of policies more generally. But the country's greatest weakness concerns the health of its macroeconomic environment, where it ranks a low 47th overall. This echoes the increasingly vocal international concerns about the macroeconomic imbalances in the US economy, especially as regards the public finances.
- The **Nordic countries** continue to hold prominent positions in the rankings among the top 10 most competitive economies this year, with **Finland** (1), **Sweden** (3), **Denmark** (4), **Iceland** (7) and **Norway** (9) all in privileged places. The stellar performance of these countries demonstrates the great diversity within Europe, with some countries doing very well by any measure, while others struggle behind. The Nordics are also challenging the conventional wisdom that high taxes and large safety nets undermine competitiveness, suggesting that what is important is how well government revenues are spent, rather than the overall tax burden per se.
- Elsewhere in **Europe** the most notable developments are the improvement in the relative position of **Ireland**, which has moved up 4 places to 26 in the overall rankings; the improvement of **Poland**, which has moved up 9 places to 51st place in the rankings; the continuing excellent performance of Estonia, ranked 20th for the second year in a row, and which is by a significant margin the most competitive economy among the 10 countries that joined the EU last year; and the significant decline of **Greece** (ranked 46, compared to 37 last year), which now has joined **Italy** (ranked 47) as the two lowest-ranking countries among the EU-25, bar Poland. Greece's worsening performance is linked to a significant weakening in the quality of its overall macroeconomic environment, driven by a ballooning budget deficit and increasing pessimism on the part of the business community about the short-term economic outlook.
- Leading within Asia are **Taiwan** and **Singapore**, ranked 5th and 6th respectively, some places ahead of the next Asian country covered by the GCI, **Japan**, ranked 12th. The distance between these top-ranked economies and Japan has increased since last year, reflecting Japan's relatively poor macroeconomic performance, particularly as regards management of the public finances. In this respect, reforms

of the postal system are likely to be of particular relevance. Taiwan and Singapore are economies that, through sustained good policies over the past few decades, have lifted their citizens from poverty, joining the ranks of the most prosperous and competitive economies in the world.

- Compared with the other tigers, **Hong Kong** is ranked much lower at 28th place, having dropped 7 places since last year. This is attributable to a tangible deterioration in the quality of the institutional environment. Hong Kong saw a weakening in perceived judicial independence, the protection of property rights, and in government favouritism in policy-making. Hong Kong's ranks on irregular payments (corruption) have also fallen well below its previously excellent performance.
- **Australia**, in 10th place, has moved up 4 places since last year, with improvements across many of the institutional and technology indicators measured by the index. The country has world-class public institutions, sound public finances and very low levels of corruption in the economy. And Australia's companies are measured as being very innovative, while harnessing new information and communications technologies extremely well.
- **China** and **India**, 49th and 50th, respectively, now rank much more closely to one another than in previous years. While China dropped 3 ranks, India moved up 5 places. China had a slightly deteriorating score with regard to the country's macroeconomic environment, while India's improved position is due to a somewhat higher rank in the area of technology. Both China and India have had an excellent growth performance in recent years. However, both countries continue to suffer from institutional weaknesses which, unless addressed, are likely to slow down their ascension to the top tier of the most competitive economies in the world.
- As in previous years, **Chile**, ranked 23rd, leads the way in Latin America by a wide margin. The gap with respect to the next best performer in the region has widened from 26 places in 2004 to 31 places in 2005, a characteristic not seen in any other region of the world. Chile continues to benefit from a combination of remarkably competent macroeconomic management and public institutions, which have achieved EU levels of transparency and efficiency: only 8 of the 25 EU members have stronger performances in the area of public institutions.
- **Mexico** has fallen 7 places since last year to 55th, ceding its second spot in the regional ranking to **Uruguay**, while **Brazil** fell 8 places to 65th position. Both Mexico and Brazil suffered major plunges in those indicators that capture the quality of their public institutions, including factors such as judicial independence and favouritism of government officials in policy-making and procurement decisions. In the meantime, **Venezuela**, which had a ranking of 62 in 2001, continues its precipitous decline to the bottom of the rankings, falling another 4 places to 89th position overall this year. Widespread mismanagement has led to strong deterioration in all areas measured by the index: the macroeconomic environment has become highly unstable, the quality of public institutions has been eroded and there has also been a measured decline across a broad range of technology indicators.
- Within the Middle East and North Africa (MENA) region, the small Gulf States perform quite well in the overall GCI rankings. The **United Arab Emirates** (UAE) and **Qatar** are ranked 18th and 19th, respectively. Terms-of-trade gains have boosted growth rates and reinforced already high levels of confidence in the business community, resulting from ongoing institutional modernization and improvements in macroeconomic management.

- While most of the countries of the sub-Saharan African region are less competitive, the region does have a number of relative success stories. This includes **South Africa** (42nd), **Botswana** (48th), **Mauritius** (52nd) and **Ghana** (59th), the latter's competitiveness performance being even more notable, having improved by 9 places since 2004. **Tanzania** has also seen a significant improvement over the past year, moving up 11 places in the overall rankings. On the other hand, **Namibia**, a relatively good performer overall, lost 11 places over the past year, as, predictably, did **Madagascar** and **Zimbabwe**, losing 11 and 10 places, respectively. Zimbabwe is a particularly sad case, whose quick descent to the bottom of the world's competitiveness rankings reflects the continued deterioration of the institutional climate, including the disappearance of property rights, the corruption of the rule of law, and the implications these and other factors have had for macroeconomic management. The country has the world's worst ranking (117) for the quality of its macroeconomic environment.

"Policy-makers are presently struggling with ways of intelligently managing global risks, while preparing their economies to perform well in an economic landscape characterized by growing complexity. The World Economic Forum has for many years played a facilitating role in this endeavour by providing detailed assessments of the economic conditions of nations worldwide. *The Global Competitiveness Report* is a contribution to enhancing our understanding of the key ingredients of economic growth and prosperity. By highlighting the strengths and weaknesses of an economy, policy-makers and business leaders are provided with a tool to assist them in the formulation of improved economic policies and institutional reforms," noted Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

The World Economic Forum continues to expand geographic coverage of *The Global Competitiveness Report*, currently featuring a total of 117 economies, of which the new entrants this year include Albania, Armenia, Azerbaijan, Benin, Cambodia, Cameroon, East Timor, Guyana, Kazakhstan, Kuwait, Kyrgyz Republic, Moldova, Mongolia, Qatar and Tajikistan, making this Report the most comprehensive of its type.

Harvard Business School Professor Michael E. Porter presents the results of the Business Competitiveness Index (BCI), an especially useful complement to the GCI, with its emphasis on a range of company-specific factors conducive to improved efficiency and productivity at the micro level, such as the sophistication of the operating practices and strategies of companies, and the quality of the microeconomic business environment in which a nation's companies compete. Results of the BCI rankings are fully reported in the Executive Summary and available online at [www.weforum.org/qcr](http://www.weforum.org/qcr)

This year's Report contains a number of studies that address different aspects of competitiveness and, more generally, themes which emanate from the World Economic Forum's deep concern with growth and development. Of particular note are Columbia University's Jagdish Bhagwati's essay on the importance of globalization and openness for economic prosperity; the Institute for International Economics' John Williamson's piece on the existence of a "new" development consensus; Harvard University's Kenneth Rogoff's paper discussing how in today's world exchange rate competitiveness has become an increasingly subtle and difficult-to-measure phenomenon; and the London School of Economics' Richard Layard's chapter about how to deal with the unemployment problem in Europe; among others.

The Report contains a detailed country profile for each of the 117 economies featured in the study, providing a comprehensive summary of the overall position in the Index rankings as well as a guide to what are considered to be the most prominent competitive advantages and competitive disadvantages of each. Also included is an extensive section of data tables with global rankings on over 100 indicators.

**Notes to Editors:**

Click here to download the full rankings: [www.weforum.org/pdf/Gcr/rankings](http://www.weforum.org/pdf/Gcr/rankings)  
Should you require country profiles or specific information, please contact [gcp@weforum.org](mailto:gcp@weforum.org)

The Report, published by Palgrave Macmillan, can be ordered online at [www.palgrave.com/worldeconomicforum](http://www.palgrave.com/worldeconomicforum), by telephone at +44 (0)1256 302688, by fax at +44 (0)1256 330688 or by e-mail at [orders@palgrave.com](mailto:orders@palgrave.com)

For more information you can watch video interviews with the authors of the Report on our website at [www.weforum.org/gcr](http://www.weforum.org/gcr)

The Global Competitiveness Programme's Partner Institute(s) in Spain is:  
IESE Business School-Anselmo Rubiralta Center for Globalization and Strategy  
Professor Eduardo Ballarín  
María Luisa Blázquez, Research Associate

Fell free to download print-quality high resolution photographs of the cover and the authors of the Report at [www.pbase.com/forumweb/gcr](http://www.pbase.com/forumweb/gcr)

Webeditors, do not forget to cross-link to our special page on *The Global Competitiveness Report 2005-2006* at [www.weforum.org/gcr](http://www.weforum.org/gcr)

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