



Competitiveness of economies

Competitiveness generally refers to a congenial economic environment, institutions, policies and factors that determine the level of productivity, and thereby economic growth. It also plays a significant role in determining a country's economic and business prospects. The productivity level is an indicator of the rate of returns on investment and also provides clues to the economy's growth potential. The following table provides competitiveness ranks of the selected countries as assessed by the World Economic Forum's Global Competitiveness Index (GCI), 2009–2010. The GCI captures the microeconomic and macroeconomic foundation of national competitiveness in terms of 12 factors:

1. Institutions
2. Infrastructure
3. Macroeconomic stability
4. Health and primary education
5. Higher education and training
6. Goods market efficiency
7. Labour market efficiency
8. Financial market sophistication
9. Technological readiness
10. Market size
11. Business sophistication
12. Innovation

Global Competitiveness Index, 2009–2010 ranks and 2008–2009 comparisons (sorted by 2009–2010 rank)			
	Rank in GCI, 2009–2010	Rank in GCI, 2008–2009	Change in rank
 Switzerland	1	2	▲
United States	2	1	▼
Singapore	3	5	▲
Sweden	4	4	↔
Denmark	5	3	▼
Finland	6	6	↔
Germany	7	7	↔
Japan	8	9	▲
Canada	9	10	▲
Netherlands	10	8	▼
Hong Kong	11	11	↔
Taiwan	12	17	▲
United Kingdom	13	12	▼
Norway	14	15	▲
Australia	15	18	▲
France	16	16	↔
Belgium	18	19	▲
South Korea	19	13	▼

	Global Competitiveness Index, 2009–2010 ranks and 2008–2009 comparisons (sorted by 2009–2010 rank), continued		
	Rank in GCI, 2009–2010	Rank in GCI, 2008–2009	Change in rank
United Arab Emirates	23	31	▲
Malaysia	24	21	▼
China	29	30	▲
Czech Republic	31	33	▲
Spain	33	29	▼
Thailand	36	34	▼
Portugal	43	43	↔
Poland	46	53	▲
Italy	48	44	▲
India	49	50	▲
Indonesia	54	55	▲
Brazil	56	64	▲
Mexico	60	60	↔
Philippines	87	71	▼
Venezuela	113	105	▼

Source: World Economic Forum's Global Competitiveness Index Report, 2009–2010

Notes: The 2008–2009 rank is out of 134 countries. One country covered last year, Moldova, had to be excluded this year due to lack of survey data.

▲ Rank increased ▼ Rank decreased ↔ Rank did not change

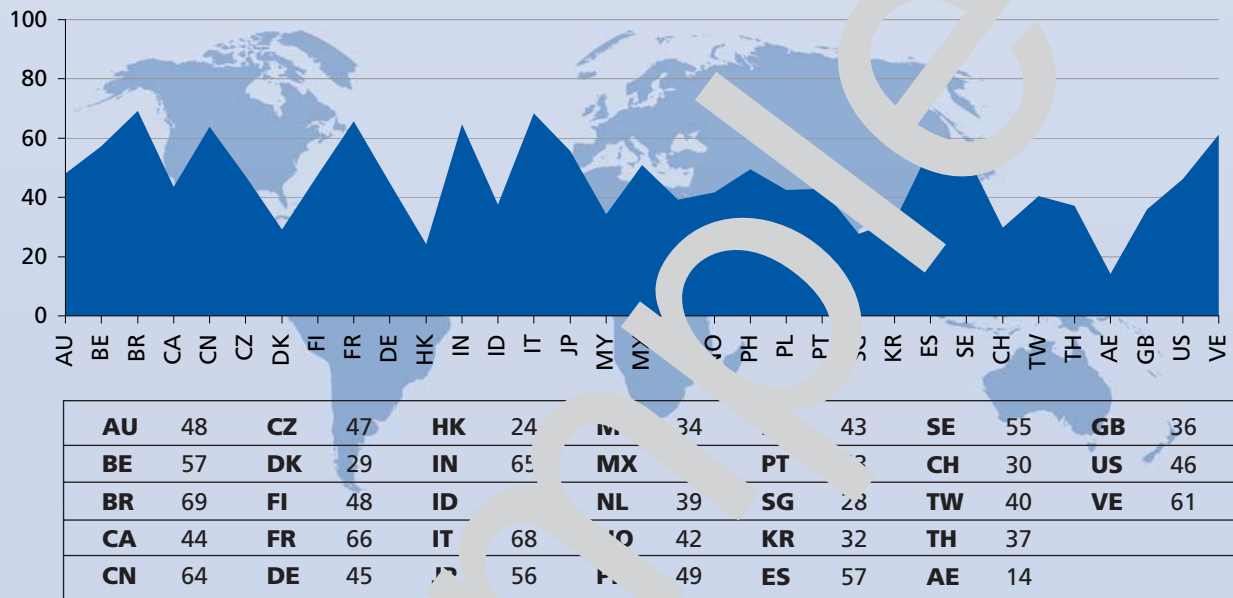
Of the 133 countries that were ranked, the European markets again dominate the list of top ten competitive countries in the world, with Switzerland appearing first. The United States fell by one position to second place in 2009–2010 compared 2008–2009, due to the recent financial and macroeconomic crisis. Singapore, the most open economy with regard to trade, ranks third with regard to competitiveness. The Philippines saw the most significant change in ranking, dropping 16 positions from the prior year (from 71 to 87).

Tax burden

A high tax burden on a business is a major disincentive for investments. A complex, multi-layered tax system increases tax costs and the tax compliance burden for business enterprises and (all else being equal) discourages investment decisions. In fact, research indicates that a 1% increase in effective corporate tax rates reduces the likelihood of establishing a subsidiary in an economy by almost 3%. So the level of tax burden is also an important factor in determining investments in a country. This section provides information on the federal tax burden borne by a domestic small to medium-sized industry in the country measured in terms of total tax rate. Data is drawn from the World Bank's *Paying Tax Report* of 2010.

The total tax rate is a measure of the impact of taxes and contributions on a company's income statements. It includes corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, and vehicle and road taxes.

Total tax rate (TTR) as a percentage of profits, 2009



Source: The World Bank's Paying Taxes Indicator of Doing Business Index, 2010

Note: See page 2 in the Methodology section for country codes.

The data shows that companies in all countries except for Denmark, Hong Kong, Singapore and the UAE have a total tax rate amounting to more than 30% of their corporate profits. And companies in 12 of the 33 countries considered for analysis have to pay more than 48% (global average total tax rate) of their profits as tax. Brazil places the highest tax burden on companies compared to other countries.