

# The Re-Emergence of Global Geopolitical Risks

IMD World Competitiveness Yearbook 2022

*The 2022 edition of the IMD World Competitiveness Yearbook, compiled by the International Institute for Management Development (IMD), is published at a moment of tremendous turmoil. The pandemic has affected all countries worldwide by giving rise to a health and economic crises. While Covid-19 is still affecting large parts of the world an additional perilous situation has emerged: the geopolitical risks re-introduced by the Russian invasion of Ukraine.*

For this year's edition of the report, IMD has evaluated the competitiveness standings of 63 countries and how their economies developed since 2021. The results for the ten most successful countries are presented as follows.

## Competitiveness of High-Ranking Economies

The variation in the overall competitiveness ranking among the ten highest ranking countries in IMD's report is presented in Fig. 1.

Denmark reaches the top spot (up from 3<sup>rd</sup>) for the first time in the history of the IMD World Competitiveness Ranking. Switzerland moves

down to 2<sup>nd</sup> (from 1<sup>st</sup>), Singapore recovers to 3<sup>rd</sup> place (from 5<sup>th</sup>), Sweden declines to 4<sup>th</sup> (from 2<sup>nd</sup>) and Hong Kong improves to 5<sup>th</sup> (from 7<sup>th</sup>). While the Netherlands loses two places by dropping to 6<sup>th</sup> (from 4<sup>th</sup>), Taiwan gains one spot (up to 7<sup>th</sup> from 8<sup>th</sup>) and Finland joins the top 10 for the first time since 2009 reaching 8<sup>th</sup> position (from 11<sup>th</sup>). Norway declines from 6<sup>th</sup> to 9<sup>th</sup> and the USA once again rounds up the top 10.

## Denmark

Denmark's achievement is mainly due to gains in the International Investment sub-factor, and a robust performance in the Government Ef-

ficiency (6<sup>th</sup>) factor, particularly in the Institutional Framework (2<sup>nd</sup>), Business Legislation (3<sup>rd</sup>) and Societal Framework (2<sup>nd</sup>) sub-factors. The country performs outstandingly in the Business Efficiency factor (1<sup>st</sup>) and sub-factors such as Productivity and Efficiency (1<sup>st</sup>) and Management Practices (1<sup>st</sup>); it also improves in Attitudes and Values (6<sup>th</sup> to 3<sup>rd</sup>). Denmark reaches 2<sup>nd</sup> place in the Infrastructure factor advancing in the Technological Infrastructure (6<sup>th</sup> to 3<sup>rd</sup>) and Scientific Infrastructure (11<sup>th</sup> to 10<sup>th</sup>) sub-factors but losing one place in Education (4<sup>th</sup>).

## Switzerland

Switzerland's performance remains strong despite its slight drop in the overall ranking. It tops the Government Efficiency and Infrastructure factors and ranks 4<sup>th</sup> in Business Efficiency. The downturn in the overall ranking originates largely from a sharp decline in the International Investment sub-factor and, to a lesser extent, in the Employment sub-factor, which places the country in the 30<sup>th</sup> spot in the Economic Perfor-

mance factor. However, it improves in International Trade (15<sup>th</sup> to 12<sup>th</sup>). In Government Efficiency, there are slight drops in Public Finance (1<sup>st</sup> to 3<sup>rd</sup>) and Societal Framework (5<sup>th</sup> to 6<sup>th</sup>), but Switzerland remains 1<sup>st</sup> in the Institutional Framework sub-factor. The improvement in the Business Efficiency factor (5<sup>th</sup> to 4<sup>th</sup>) is largely due to gains in Productivity and Efficiency (4<sup>th</sup> to 2<sup>nd</sup>) and Labor Market (6<sup>th</sup> to 5<sup>th</sup>). However, it is worth noting that the country's performance in the Attitudes and Values sub-factor remains moderately low at 14<sup>th</sup>.

## Singapore

Singapore's recovery stems from strong improvements in Domestic Economy (1<sup>st</sup> from 15<sup>th</sup>), Employment (3<sup>rd</sup> from 18<sup>th</sup>), Public Finance (6<sup>th</sup> from 12<sup>th</sup>), and Productivity and Efficiency (9<sup>th</sup> from 14<sup>th</sup>). Slight gains in Business Legislation (2<sup>nd</sup> from 3<sup>rd</sup>) and Education (6<sup>th</sup> from 7<sup>th</sup>) also contribute to its recovery. In addition, Singapore's performance in the International Trade and Technological Infrastructure sub-factors remain robust; it ranks 1<sup>st</sup> in both. However, Singapore remains in relatively low positions in several sub-factors including Management Practices (14<sup>th</sup>), Scientific Infrastructure (16<sup>th</sup>) and Health and Environment (25<sup>th</sup>). In others, it experiences some declines: Societal Framework (17<sup>th</sup> to 22<sup>nd</sup>), Labor Market (4<sup>th</sup> to 12<sup>th</sup>) and Attitudes and Values (9<sup>th</sup> to 12<sup>th</sup>).

## Sweden

Sweden's decline results from a slowdown in measures of Economic Performance such as the Domestic Economy, International Trade and Employment sub-factors. Trade and Employment, in particular, show a sharp decline. Sweden's performance in the Government and Business Efficiency factors remain stable placing 9<sup>th</sup> and 2<sup>nd</sup>, respectively. That said, when it comes to Government Efficiency, there are some declines; for example, in Public Finance (9<sup>th</sup> down from 7<sup>th</sup>) and Societal Framework (down to 5<sup>th</sup> from 4<sup>th</sup>). Similarly, in Business Efficiency the Productivity



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			Score		
01	Denmark		100.00	↗	2
02	Switzerland		98.92	↙	1
03	Singapore		98.11	↗	2
04	Sweden		97.71	↙	2
05	Hong Kong SAR		94.89	↗	2
06	Netherlands		94.29	↙	2
07	Taiwan, China		93.13	↗	1
08	Finland		93.04	↗	3
09	Norway		92.96	↙	3
10	USA		89.88	-	-

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Fig. 1: The IMD World Competitiveness Ranking presents the 2022 overall ranking for 63 economies, of which the top 10 are shown here. The economies are ranked from the most to the least competitive. The Scores shown to the right are actually indices (0 to 100) generated for the unique purpose of constructing charts and graphics. The final column shows the improvement or decline from the previous year.

and Efficiency sub-factor experiences a slight drop (to 4<sup>th</sup> from 3<sup>rd</sup>) but Finance (3<sup>rd</sup>) and Attitudes and Values (2<sup>nd</sup>) improve. Within the Infrastructure factor (3<sup>rd</sup>), Sweden experiences some slight declines; for example, in Technological Infrastructure (5<sup>th</sup> from 3<sup>rd</sup>), Health and Environment (2<sup>nd</sup> from 1<sup>st</sup>) and Education (5<sup>th</sup> from 4<sup>th</sup>).

### Hong Kong

The recapturing of a top 5 spot by Hong Kong has its origins in Economic Performance (15<sup>th</sup>), particularly in the International Trade (4<sup>th</sup>) and International Investment (3<sup>rd</sup>) sub-factors. It experiences a slight decline in the Government Efficiency (2<sup>nd</sup>) factor despite improvements in the Public Finance sub-factor (up to 2<sup>nd</sup> from 9<sup>th</sup>). However, it remains relatively low in the Societal Framework sub-factor (33<sup>rd</sup>). In the Business Efficiency factor Hong Kong falls to 7<sup>th</sup> (from 3<sup>rd</sup>) mainly because of sharp declines in the Labor Market (20<sup>th</sup> from 8<sup>th</sup>) and Attitudes and Values (16<sup>th</sup> from 8<sup>th</sup>) sub-factors. Its performance in the Infrastructure factor (14<sup>th</sup> from 16<sup>th</sup>) remains relatively stable, showing some gains in Health and Environment (21<sup>st</sup> to 18<sup>th</sup>) but dropping from 8<sup>th</sup> to 13<sup>th</sup> in Education.

### The Netherlands

The drop in the overall ranking experienced by the Netherlands is due to a significant downturn in the Economic Performance factor (19<sup>th</sup>). This decline results from slumps in Do-

mestic Economy (25<sup>th</sup>), International Investment (46<sup>th</sup>), Prices (52<sup>nd</sup>) and—to a lesser extent—in the Employment sub-factor (7<sup>th</sup>). Elsewhere, the Netherlands continues to perform strongly, remaining in 12<sup>th</sup> place in Government Efficiency and slightly improving in both Business Efficiency (to 3<sup>rd</sup> from 4<sup>th</sup>) and Infrastructure (to 5<sup>th</sup> from 7<sup>th</sup>).

### Taiwan

Taiwan's improvement is due to a stable performance in the Government Efficiency factor which is the result of improvements in Tax Policy (6<sup>th</sup> from 11<sup>th</sup>), and one-rank gains in both Institutional Framework (8<sup>th</sup>) and Business Legislation (21<sup>st</sup>). There is, however, a noteworthy drop in the Public Finance sub-factor (4<sup>th</sup> to 10<sup>th</sup>). In the Business Efficiency factor, it improves one spot to 6<sup>th</sup> due to increases in Productivity and Efficiency (13<sup>th</sup> to 8) and Finance (11<sup>th</sup> to 8<sup>th</sup>). It remains 5<sup>th</sup> in Management Practices. Taiwan also advances in Infrastructure (14<sup>th</sup> to 13<sup>th</sup>) by improving in Technological Infrastructure (9<sup>th</sup> from 10<sup>th</sup>) and by steady performing steadily in Scientific Infrastructure (6<sup>th</sup>) and Education (16<sup>th</sup>). However, it experiences a drop in Health and Environment at 26<sup>th</sup> (from 24<sup>th</sup>).

### Finland

Despite a downturn in the Economic Performance factor (44<sup>th</sup>) due to drops in the Domestic Economy (36<sup>th</sup>), Employment (40<sup>th</sup>) and Prices (40<sup>th</sup>) sub-factors, Finland joins the top 10

this year. The improvement comes on the back of advances in the Government Efficiency factor (14<sup>th</sup> to 10<sup>th</sup>) particularly in Tax Policy (52<sup>nd</sup> from 59<sup>th</sup>), Institutional Framework (3<sup>rd</sup> from 6<sup>th</sup>), Business Legislation (6<sup>th</sup> from 12<sup>th</sup>) and Societal Framework where it reaches 1<sup>st</sup> spot. Finland's performance in the Business Efficiency factor is similar rising to 5<sup>th</sup> (from 12<sup>th</sup>) due to advancements in all of its sub-factors, most notably in Labor Market (from 24<sup>th</sup> to 18<sup>th</sup>) and Attitudes and Values (from 14<sup>th</sup> to 5<sup>th</sup>). In the Infrastructure factor, Finland rises to 4<sup>th</sup> (from 5<sup>th</sup>) by improving in all of this factor's components with the largest increases in Basic Infrastructure (from 11<sup>th</sup> to 6<sup>th</sup>) and Scientific Infrastructure (from 15<sup>th</sup> to 12<sup>th</sup>). It ranks in the top 3 in the rest of the sub-factors.

### Norway

Norway's decline in the overall ranking is the result of a downward trend in three of the four competitiveness factors. Although it remains in 25<sup>th</sup> place in the Economic Performance factor, its performance falls in the Domestic Economy sub-factor (28<sup>th</sup>), as well as in the International Investment (22<sup>nd</sup>), Employment (18<sup>th</sup>) and Prices (44<sup>th</sup>) sub-factors. Within the Government Efficiency factor, where Norway slightly declines to 5<sup>th</sup> (from 4<sup>th</sup>), it drops in Institutional Framework (5<sup>th</sup>), Business Legislation (10<sup>th</sup>) and Societal Framework (4<sup>th</sup>) but increases seven spots in Public Finance to reach 1<sup>st</sup> place. In Business Efficiency, Norway experiences a down-

turn from 6<sup>th</sup> to 10<sup>th</sup> as it drops in all sub-factors, the largest declines being in Management Practices (17<sup>th</sup>) and Attitudes and Values (18<sup>th</sup>). An exception is in the Labor Market sub-factor where it increases from 11<sup>th</sup> to 10<sup>th</sup>. In Infrastructure, it also falls from 4<sup>th</sup> to 6<sup>th</sup> because its performance declines in all of the factor's components with the largest drop being in Education (from 6<sup>th</sup> to 10<sup>th</sup>).

### USA

In the overall ranking, the USA remains in 10<sup>th</sup> place, despite some notable declines at the sub-factor level. For example, its performance in International Trade (41<sup>st</sup>), Institutional Framework (23<sup>rd</sup>), Management Practices (15<sup>th</sup>) and Technological Infrastructure (11<sup>th</sup>) deteriorates. The country's rankings in other sub-factors remain low, such as in Public Finance (53<sup>rd</sup>), Societal Framework (40<sup>th</sup>) and Attitudes and Values (26<sup>th</sup>). Despite these trends, the USA reaches the top place in International Investment and remains 1<sup>st</sup> in Scientific Infrastructure. The country also advances in other areas, including the Employment (10<sup>th</sup>) and Labor Market (23<sup>rd</sup>) sub-factors.

### What does the future hold?

For the last couple of years, IMD's analysis has focused on the health and economic crises that have been brought about by the pandemic. However, they have always claimed that that the fundamentals of competitiveness have remained the same, even under turbulent conditions. According to IMD, the institutional framework, the rule of law, infrastructure and education—the pillars of competitiveness—were relatively intact. The question is: Will this remain the case after the re-emergence of global geopolitical risks?

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This article presents some of the findings of the IMD World Competitiveness Yearbook 2022, issued by the International Institute for Management Development (IMD) via its IMD World Competitiveness Center in Switzerland. The complete report is available at [www.imd.org/wcc](http://www.imd.org/wcc).