

Preface

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This year's *Global Competitiveness Report* comes amid a time of uncertainty for the global economy. On the positive side, despite a wavering US economy, most other industrialized countries have continued to grow briskly, notably the euro zone and Japan, where domestic demand has finally begun to pick up in 2007. This has been reinforced by the continuing rapid growth of several large emerging market economies, led by China, India, and Russia, which are expected to grow on average an estimated 9 percent in 2007.

Yet, despite this positive backdrop, a number of risk factors remain on the horizon. Oil prices still represent an area of concern, having risen back to record highs in the context of limited spare production capacity, and with the continuing threat of an oil price spike. On the trade front, the Doha round of trade negotiations—which began amid high hopes of a deal that would boost the global economy and reduce poverty—made no significant progress over the past year. In addition, protectionist pressures in a number of countries are a continuing concern, lately characterized by debates about the ramifications of investments made by sovereign-wealth funds.

More recently, the long-dreaded collapse in the US housing market finally materialized, with an impact beyond the expected contraction in domestic consumer spending. Initial fears of the global implications of a recession in the United States have grown into much larger concerns about international financial contagion stemming from the subprime mortgage crisis and ensuing global credit crunch. In a world where a crash in the US housing market can lead to an international credit crisis, it becomes ever more critical to prepare the global economy to cope with new types of financial risk.

Policymakers are currently struggling with ways of intelligently managing these global risks, while preparing their economies to perform well in an economic landscape characterized by growing uncertainty. In an ambiguous global financial environment it is more important than ever for countries to put into place the fundamentals underpinning economic growth and development. The World Economic Forum has for many years played a facilitating role in this process, by providing detailed assessments of the productive potential of nations worldwide. The *Report* is a contribution to enhancing our understanding of the key factors that determine economic growth, and to explaining why

some countries are much more successful than others in raising income levels and opportunities for their respective populations. Thus it offers policymakers and business leaders an important tool in the formulation of improved economic policies and institutional reforms.

This year's *Report* is characterized by the continued expansion of our country coverage. Currently featuring a total of 131 economies, it remains the most comprehensive assessment of its kind. The *Report* contains a detailed profile for each of the economies featured in the study as well as an extensive section of data tables with global rankings covering over 100 indicators.

This *Report* remains our flagship publication within our Global Competitiveness Network, which groups a number of research studies that truly mirror the increased integration and complexity of the world economy. Concurrent complementary publications include *The Africa Competitiveness Report 2007*, *The Arab World Competitiveness Report 2007*, *The Global Information Technology Report 2006–2007*, *The Travel & Tourism Competitiveness Report 2007*, and *The Global Gender Gap Report 2007*.

The Global Competitiveness Report could not have been put together without the thought leadership of our distinguished co-editors, Professor Michael E. Porter, Director of the Institute for Strategy and Competitiveness at the Harvard Business School, and Professor Xavier Sala-i-Martin at Columbia University. Appreciation also goes to Fiona Paua, Head of Strategic Insight Teams at the Forum, and to her team, Jennifer Blanke, Ciara Browne, Agustina Ciocia, Margareta Drzeniek Hanouz, Thierry Geiger, Irene Mia, Pearl Samandari, and Eva Trujillo Herrera. We thank FedEx and USAID, our partners in this *Report*, for their support in this important undertaking. Finally, we would also like to convey our sincere gratitude to all the business executives around the world who took the time to participate in our Executive Opinion Survey, and whose valuable inputs made the publication of this *Report* possible.