

Assessing the U.S. Business Climate: An Overview of Recent Rankings

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A growing number of business climate assessment rankings are available to inform cross-border investment decisions. Securing foreign investment is a competitive business for economies, resulting in an ever-changing landscape of incentives packages and governmental actions to attract global investors. Business climate assessment indices take note of such changes and provide investors with annual country scorecards.

Report	Date Established	Sponsors	Sources	Countries/ Economies	U.S. Rank
Global Venture Capital and Private Equity	2006	IESE Business School, Emlyon Business School, and Ernst & Young	300 data series from variety of providers	116	1 st
Doing Business	2003	World Bank	Staff research and case study evaluated by experts	185	5 th
FDI Confidence Index	1998	A.T. Kearney	200 executive surveys and government input and major periodicals	Top 25 ranked	4 th
Global Competitiveness Index	2005	World Economic Forum	Statistical data from international sources and World Economic Forum Executive Opinion survey	144	7 th

The [Global Venture Capital and Private Equity Country Attractiveness Index](#) reports on six key drivers that attract institutional investors: robust economic activity (size, growth, inflation and unemployment); deep capital markets (size and liquidity of different segments of the market); preferential taxation policies; legal protection for investors and corporate governance issues; skilled human capital and social environment (crime, corruption and bribery); and an entrepreneurial culture and deal opportunities. The U.S. venture capital and private equity market is the largest in the world and is rated #1 in this index of 116 countries in 2012.

In its [Doing Business](#) report, the World Bank suggests policy-makers focus on 10 functions in the typical life cycle of a company to improve the business climate, from starting a business and receiving construction permits to paying taxes and resolving insolvency. The availability of credit to support the growth of businesses and the strength of the U.S. legal system to both

protect investors and enforce contractual obligations are some of the underlying reasons for its position as the 4th among 185 economies in 2012.¹

The 2012 [A.T. Kearney Foreign Direct Investment Confidence Index](#) asks the world's leading corporate executives how likely they are to invest in a particular foreign market in the next three years. Overlaying FDI flow figures from UNCTAD, the report suggests reasons for changes in investor confidence in regions and in particular economies. In the 2012 report, this group ranked the United States as 4th, noting the size of the market, its stable currency, its skilled and productive workforce, and an open and friendly policy toward new entrants in the market.

The World Economic Forum, in its [Global Competitiveness Index](#), ranks how well a country is doing on 12 "pillars" of competitiveness within its designated stage of development. These 12 "pillars" range from basic requirements such as properly run institutions and macroeconomic environment, which are most heavily weighted for stage one or factor-driven economies; to efficiency enhancers such as the labor market, technology readiness and market size most heavily weighted for stage two economies; and finally innovation and business sophistication as the key for stage three economies. The United States belongs to the innovation-driven economies and ranks 7th overall based on its flexible labor market, size of the domestic economy, and capacity to innovate.

Focusing on the U.S. market, there are also a number of tools available to guide investors through the site selection process within the United States: KPMG's [Guide to International Business Location](#), [Site Selection Governor's Cup](#), and [Business Facilities Magazine annual rankings](#).

These business climate reports and others are gaining in importance; last year, half of investors reported putting more resources towards strategic planning tools.² Available online at no cost, these reports are a considerable resource to both institutional and small business investors.

¹ Although this report looks only at domestic entities with no foreign investment, a World Bank study compared FDI flows to the rankings and claim a strong correlation; a move one percentage point is associated with \$250-\$500 million more in annual FDI inflows. Anderson, J. and Gonzalez, A. (2012). Does Doing Business Matter for Foreign Direct Investment? *Doing Business 2013 Smarter Regulations for Small and Medium-Size Enterprises*, p. 49.

² Laudicina, P.A., Peterson, E.R., Gott, J., Cautious Investors Feed a Tentative Recovery. *The 2012 A.T. Kearney FDI Confidence Index*, p.6.