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NEWS RELEASE

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PROSPERITY GAP WITHIN EUROPE'S NATIONS INCREASES BY 25%

New Report States that Europe cannot and should not seek to
imitate the United States

Europe's nations are becoming increasingly economically divided. This is one of the findings of a major new report published today by Robert Huggins Associates, a leading European economic think-tank and consultancy specialising in competitiveness research and founders of the influential *World Knowledge Competitiveness Index* and the *UK Competitiveness Index*.

The *European Futures* report - which is to be launched at the World Future 2003 Conference in San Francisco this week - finds that between 1994 and 2000 the prosperity gap within Europe's nations increased by a staggering 25%, measured by the level of inter-regional variation in the economic performance of Europe's nations. This divide in performance has led to Europe becoming significantly less economically cohesive. The report finds that those economies which have suffered the biggest widening of their prosperity gaps are Greece, the UK, the Netherlands and Finland. In particular, the fact that the economic gap between the UK's regions has increased by 54% during the last decade raises considerable issues regarding both European and national policies.

Despite current trading conditions and the massive effects of economic integration between the west and the east, the report argues that the performance of Germany's economy has been remarkable. The report points to the fact that Germany has maintained an overall level of economic output per person that is still well above the European average and higher than nations such as the UK, France and Finland.

The report highlights the current spread in economic performance across Europe, measured in terms of Gross Domestic Product (GDP) per capita, with the output of the bottom ranked region - Kentriki Ellada in Greece - equating to only slightly more than one-quarter of the top ranked region's GDP per capita - Brussels. The report states that the fact that these two regions are not distant outliers but part of a continuum of relative economic disparity across Europe is a cause for considerable concern.

Utilising an economic forecasting model, the authors predict that Sweden will be Europe's major success story leading up to 2010, with a 15% increase in its relative GDP per capita. The economic performance, measured by relative GDP per capita, of Europe's other nations are forecast to change as follows during this period: Belgium (-6%); Denmark (-11%); Germany (-6%); Greece (-4%); Spain (+2%); France (+3%); Ireland (+9%); Italy (-4%); Luxembourg (+6%); Netherlands (0%); Austria (-12%); Portugal (5%); Finland (+8%); Sweden (+15%); UK (+6%); Norway (-6%) and Switzerland (-14%).

The reports predicts that there should be a small degree of economic convergence within Europe leading up to 2010, but that this is difficult to estimate with imminent enlargement of the European Union. However, it does suggest that the experiences of economic integration in Germany point to a general fall in the prosperity of the leading regions.

According to the report, increasing economic division in Europe has resulted from a lack of understanding and harnessing of the emergence of the global knowledge economy. The report's principal author, Dr Robert Huggins, states 'Current policy intervention is not sufficiently attuned to facilitating the inclusion of Europe's most disadvantaged regions with the rapidly changing knowledge economy. The structural funding the European Commission makes available to Europe's least prosperous regions should increasingly require national and regional policymakers to utilise a significant proportion of this funding for public and private sector investment in research and development.'

According to the report, Europe cannot and should not expect to imitate the way in which the United States has created the world's leading knowledge economy. Dr Huggins states that 'the economic success of United States has mainly been predicated on a model based upon innovations developed and financed by large corporations, along with the spin-out innovation and spend catalysed by the large defence sector. Europe is different – it is an economy with a far larger proportion of small and medium sized businesses, resulting in long supply-chains and the relative dispersion of knowledge-based activity'.

One of the report's key recommendations is an increased requirement on Europe's public sector funding to be focused upon stimulating R&D investment, as well as entrepreneurship programmes based on establishing knowledge-based businesses that represent a tradable asset for the region and nation within which they are located.

Notes to Editors:

Robert Huggins Associates is one of Europe's foremost research house studying national and international competitiveness. This report is one of a series of studies developed by Robert Huggins Associates. Other studies cover European and global competitiveness issues.

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