

## Preface

The World Knowledge Competitiveness Index 2003-2004 is the most up-to-date measure of the knowledge-based development taking place across the world's leading regions. The focus on regions, as opposed to nations, is deliberate. Regions are the primary spatial unit that not only compete for knowledge, but are the places within which knowledge is circulated and transferred. This year's report is published during a period of considerable economic uncertainty and change. The United States, Japan and many parts of Europe are continuing to face difficult trading conditions, in tandem with the impact of the Iraq war. The long-term effects of these remain to be determined, but it is clear that the challenges at both a political and economic level will be significant.

At a structural level, the global economy is currently experiencing major transitions of both its business and knowledge base. The rapid increase in the off-shoring of knowledge workers from the developed, to developing parts of the world, appears to be the beginning of a new paradigm of global opportunities and threats within which both policymakers and entrepreneurs must operate. Once again, it is the effects on regions that are most pronounced, with the rapid growth of Bangalore and Hyderabad in India, and Shanghai and the Pearl River Delta in China. As a result of this shift we have increased the number of regions benchmarked by the World Knowledge Competitiveness Index to 125, to provide an initial analysis of the knowledge competitiveness of these emergent Asian regions. Overall, we find that although they are growing rapidly, they are developing from a very small base when compared with their counterparts in the developed world.

It is notable that despite the media coverage of the brain drain from the west coast of the United States to Indian cities such as Bangalore, San Francisco tops this year's list of the world's most knowledge competitive regions, overtaking the twin cities of Minneapolis-St. Paul, which drops four places to fifth position. This highlights the strength of embedded and economically utilised knowledge that San Francisco - which in this case includes Silicon Valley - has accrued over the long-term. Among the regions benchmarked, San Francisco derives the highest proportion of its economic output from knowledge-based activity, with the exception of only Austin in Texas. As reported in the main text of this report, the message from the World Knowledge Competitiveness Index 2003-2004 is that despite the economic problems the San Francisco and Bay Area region has suffered in recent times, it has more than held its own as a leading knowledge economy when compared with its counterparts.

An innovation we would like to draw your attention to this year is the introduction of the Ratio of Knowledge Intensity, which assesses the importance of knowledge-based activities as a proportion of overall economic activity within each of the benchmarked regions. Whereas the World Knowledge Competitiveness Index allows us to understand the relative means by which regions are able to compete in terms of their overall knowledge capacity, capability and utilisation, the Ratio of Knowledge Intensity is a measure of how influential these factors are when compared with the overall economic performance and capacity of each region. Furthermore, the report includes empirical survey results of a cross-section of policymakers within the world's leading regional economies, assessing policy response and intervention in the knowledge age.

I must personally extend a very special thank you to all those involved in the data collection, analysis, authoring and publication of this report. In particular, I am indebted to Jiang Liu, Rhys Prichard and Kristel Sootarsing for their tireless efforts of data collection and harmonisation, and to Matthew Fido for ensuring the smooth running of this publication. Finally, I continue to remain indebted to Hiro Izushi and Jonathan Day for their inspiration in establishing and developing the World Knowledge Competitiveness Index project.

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