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NEWS RELEASE

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SAN FRANCISCO REMAINS THE WORLD'S MOST KNOWLEDGE COMPETITIVE ECONOMY North American Regions Continues to Dominate, While Asia Catches-Up with Europe

The *World Knowledge Competitiveness Index (WKCI) 2004* is launched today by Robert Huggins Associates, the UK-based economics consultancy and think-tank and founders of the *European Competitiveness Index* and the *UK Competitiveness Index*. The report represents the third annual publication of the *WKCI*, the first composite and relative measure of the knowledge economies of the world's leading regions.

For the second year running the *WKCI* is headed by San Francisco (including Silicon Valley), with the region continuing to combine sustainable economic development with high productivity through investment in both technology and human capital. Boston moves into second place, from third in 2003. The top fourteen positions on the *WKCI* are taken by US regions and they continue to dominate its overall composition. Only ten non-US regions make it into the top fifty.

The *WKCI* is an integrated and overall benchmark of the knowledge capacity, capability and sustainability of 125 regions across the globe, and the extent to which this knowledge is translated into economic value, and transferred into the wealth of the citizens of these regions, utilising 19 knowledge economy benchmarks, including employment levels in the knowledge economy, patent registrations, R&D investment by the private and public sector, education expenditure, information and communication technology infrastructure, and access to private equity (SEE TABLE 1 FOR FULL LIST). The *WKCI* is the only existing instrument that benchmarks such regional performance at a global level, with index comprising of 55 North American regions, 45 from Europe and 25 from Asia-Pacific.

Not all US regions perform well this year, with Austin in Texas falling from second place in 2003 to ninth in 2004, and Rochester in New York State falling three places in 2004 from fourth to seventh. According to the report, Rochester, in particular, has experienced a large number of job losses in the so-called 'telecomm alley', while Eastman Kodak has also significantly downsized its operations.

Nordic regions perform well in 2004, with the two best performing non-US regions Stockholm (15th) in Sweden and Uusimaa (Helsinki) (19th) in Finland rising by 3 and 18 places respectively, compared with 2003. The report states that ‘the continued increase in Uusimaa’s knowledge competitiveness remains phenomenal, with it maintaining very high levels of knowledge-based employment and high levels of research and innovation’.

All four UK regions improve their rankings considerably and have benefited from increases in research and development expenditure and access to private equity, while Tokyo (38th) continues to be the highest ranked region outside of North America and Europe.

At the bottom of the WKCI rankings are a host of Chinese, Indian and Eastern European regions – the lowest ranked being Bangalore (125th), Mumbai (124th) and Hyderabad (123rd), although Bangalore’s index score has increased by almost 300% since 2003

According to the report’s principal author Dr Robert Huggins, Chief Executive of Robert Huggins, ‘Europe continues to struggle to bridge the knowledge gap that would enable it to compete with the US regions. The location of high technology clusters in Europe continues to be concentrated in a few regions. The *WKCI* demonstrates that while catch-up in terms of GDP per capita within emerging regions and nations is being achieved through the use of liberal economic policies, the transfer from a labour-intensive to a knowledge-intensive economy is a much more long-term process’.

The average continental scores of regions comprising the WKCI 2004 – North America: 137.3, Europe: 76.9, Asia-Pacific: 60.9 shows that in overall terms the North American regions are by far the most competitive, while Europe slightly outrivals Asia-Pacific.

According to the report ‘Taking into account the fact that Asia-Pacific excels in human and knowledge capital inputs, coupled with the lag effect of inputs and outputs, we would expect that some Asian-Pacific regions will catch up with their Europe counterparts on the WKCI’.

Dr Hiro Izushi, co-founder of the *WKCI*, states ‘Compared with the clearly more competitive position of the North American regions, Europe’s position against Asia appears fragile. Many of the best-performing Asian regions are better positioned than their European counterparts in terms of their industrial mix with them having a far greater share of knowledge-based manufacturing.

It’s worth noting that the best-performing regions in the United States also retain these high-order functions in manufacturing enabling them to compete with their counterparts in Asia. Unless Europe takes action to recalibrate its competitive strategy it will undoubtedly fall in the league table of knowledge-based economies’.

TABLE 1: COMPONENT VARIABLES OF THE WORLD KNOWLEDGE COMPETITIVENESS INDEX 2004

HUMAN CAPITAL COMPONENTS

- Economic Activity Rate
- Number of Managers per 1,000 inhabitants
- Employment in IT and Computer Manufacturing per 1,000 inhabitants
- Employment in Biotechnology and Chemicals per 1,000 inhabitants
- Employment in Automotive and Mechanical Engineering per 1,000 inhabitants
- Employment in Instrumentation and Electrical Machinery per 1,000 inhabitants
- Employment in High-Tech Services per 1,000 inhabitants

FINANCIAL CAPITAL COMPONENTS

- Per Capita Private Equity Investment

KNOWLEDGE CAPITAL COMPONENTS

- Per Capita Expenditures on R&D performed by Government
- Per Capita Expenditures on R&D performed by Business
- Number of Patents Registered per one million inhabitants

REGIONAL ECONOMY OUTPUTS

- Labour Productivity
- Mean Gross Monthly Earnings
- Unemployment Rates

KNOWLEDGE SUSTAINABILITY

- Per Capita Public Expenditures on Primary and Secondary Education
- Per Capita Public Expenditures on Higher Education
- Secure Servers per one million inhabitants
- Internet Hosts per 1,000 inhabitants
- Broadband Access per 1,000 inhabitants

Notes to Editors

Copies of the full Report are available in PDF and Hard Copy from Robert Huggins Associates at a retail price of GBP £70.00/104.30 Euros/US\$128.50. Orders can be placed at www.hugginsassociates.com

Robert Huggins Associates is Europe's foremost research house in the field of international and regional competitiveness.

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