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## **NEWS RELEASE**

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### **SILICON VALLEY'S SAN JOSE IS THE WORLD'S MOST KNOWLEDGE COMPETITIVE ECONOMY**

#### **Nordic Regions Continue to Thrive, While Shanghai is Most Improved Performer**

The 2005 edition of *World Knowledge Competitiveness Index (WKCI)* is published today by Robert Huggins Associates. The *WKCI* is the only composite and relative measure of the knowledge economies of the world's leading regions.

San Jose, the heart of California's Silicon Valley heads the *WKCI* 2005, followed by the US regions of Boston, San Francisco and Hartford. Seattle takes fifth place with Grand-Rapids in sixth position. The highest ranked non-US region is Stockholm in Sweden, which climbs seven places to eighth position. Tokyo (23rd) is the highest ranked region outside of North America and Europe.

According to one of the report's authors, Dr Robert Huggins of the Management School at the University of Sheffield, 'San Jose, and Silicon Valley as a whole, has had its problems in recent years. The lingering effect of the dot com crash and the offshoring of IT activities to places such as India have led to soaring unemployment rates. However, all the data indicate that the region continues to lead the way as the world's knowledge powerhouse'.

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. 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.

Alongside Stockholm, the Nordic regions have almost all improved their rankings for the second year in a row. Both West Sweden (37th) and South Sweden (46th) move

up, and are now competitive with the majority of US regions, while Denmark (up eleven places) and Norway (up two places) also perform strongly. Uusimaa (Helsinki) consolidated its phenomenal growth in recent years and is 21<sup>st</sup> ranked. These rankings are based on very high levels of knowledge-based employment and high levels of research and innovation.

Elsewhere in Europe the picture is more mixed, with the UK regions of London (56<sup>th</sup>), South East England (55<sup>th</sup>) and Eastern England (62<sup>nd</sup>) dropping down the rankings. With the exception of the UK, most Western European regions have seen an improvement in their position. Ireland improved 17 places to 74<sup>th</sup>, indicating that the country's economic growth has been correlated with a similar expansion of its knowledge base.

The majority of US regions have seen their performance either remain static or fall. Rochester, ranked as high as fourth in 2003, slips again this year, and now occupies ninth position. Austin has slipped further still: it began in second place back in 2003, but falls another ten places this year to 19<sup>th</sup>. All six ranked Canadian regions have seen their position fall since 2004.

The region that has shown the best growth in creating a thriving knowledge-intensive economy is Shanghai, which more than doubled its performance since 2004, and is now ranked second only to Tokyo in terms of patent registrations per capita. Also, Mumbai and Bangalore in India have seen improvements in the performance, although they remain towards the bottom of the index.

Amongst the list of indicators, the WKCI also benchmarks the availability of private equity, including venture capital and start-up investments. US regions provide the highest levels of private equity to their firms and occupy the top six spots in the 2005 rankings. San Jose and San Francisco share the top spot (US\$1,325 per capita), with both regions benefiting from the huge amount of venture capital available in and around Silicon Valley. The New England regions of Boston and Hartford (US\$588 per capita) follow in third place, both of which score over six and a half times the index average.

Outside of North America, only a handful of European regions are competitive in terms of private equity provision: Stockholm (7<sup>th</sup>, US\$300 per capita), London (8<sup>th</sup>, US\$247) and Paris region of Ile de France (9<sup>th</sup>, US\$246) make the top ten. Japanese regions perform poorly in this area, partly reflecting the business structure in Japan, but also suggesting a potential lack of capital investment for smaller and more dynamic firms.

According to the report, Asia-Pacific is particularly strong in IT and Computer Manufacturing activities, while North America's strength comes from its spending on R&D and education, and high patenting levels. More access to private equity is also a North American advantage. Europe's model appears to be an under-performing version of that operating within the North American regions, although it does have strength in high technology sectors such as instrumentation and electrical machinery.

Co-author of the report, Dr Hiro Izushi of Aston Business School, states 'It is clear that at a regional level there are significant variations in the economic development

models at work across the globe. The US regional development framework is far more reliant upon its investments in knowledge sustainability, in the form of educational expenditure and ICT infrastructure. Asian-Pacific regions tend to place a greater emphasis on mobilising human capital already within the workforce and investment in business-based innovation. While Europe's leading regions often possess strength relating to the high-technology service sectors and niche high value added manufacturing'.

### **Notes to Editors**

Copies of the full report are available from Robert Huggins Associates. For further information please call **Tel: +44 (0) 1443 202 300** or email **info@hugginsassociates.com**.

Robert Huggins Associates is a leading publishing and research house in the field of international and regional competitiveness ([www.hugginsassociates.com](http://www.hugginsassociates.com)).

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