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**Large East-West Divide in European Regional Competitiveness Revealed
Brussels Becomes Europe's Most Competitive Location
Prague and Bratislava Enter Top Ten**

The extent of the competitiveness gap between large parts of West and East Europe is revealed by a new report published today. It finds that New European Union member states are struggling to compete in international markets

The European Competitiveness Index, a biennial measure of the competitiveness of Europe's regions and nations, finds that only three regions within the European Union's new member states are more competitive than the European average. Prague enters the regional rankings in 7th position and Bratislava in 10th, with the Közép-Magyarország region of Hungary, which includes Budapest, ranked 47th. The other twenty-four locations from the new member states are significantly less competitive than the European average and prop-up the bottom tier of the 118 locations compared by the index.

Brussels moves up two places to surpass the Greater Helsinki region of Uusimaa (now ranked 2nd) as Europe's most competitiveness region. The wider Paris region of Ile de France is ranked 3rd (4th in 2004) and Stockholm 4th (2nd in 2004). Hamburg is highest-ranked German region in 8th, while London in 9th is the best performing British region. The capital regions are also the highest ranked in Spain and Italy, with Madrid in 19th position and Lazio in 28th.

According to the report, Brussels has become Europe's most competitive location as a result of the unique levels of public sector investment it receives

through the activities of the European Commission, alongside an increasingly knowledge-intensive private sector and a transport infrastructure that makes it one of the most accessible cities in Europe.

Spain has seen some of the biggest improvements in competitiveness since 2004, with all its regions moving up the rankings. With the exception of Uusimaa's drop from 1st to 2nd, all of Finland's other regions have also moved significantly up the rankings. At the opposite end, all regions in Germany and the Netherlands registered a fall in competitiveness.

Dr Robert Huggins, who developed the index and co-authored the report, said 'The report reveals a number of problems concerning Europe's bid to improve its competitiveness. Those regions featured at the bottom of the rankings generally lack the economic and industrial infrastructure that is a feature of Europe's most competitive regions. They also tend to be remotely situated at the eastern edge of Europe and are unable to connect themselves with the major European markets.

'Along with the competitiveness divide between old and new Europe, there is an increasing dependence in Europe on its urban and city locations as the source its competitiveness, with a widening gap between the performance of key cities and much of Europe's hinterland. On top of this, we are seeing the continued erosion in the regional competitiveness of locations in some of Europe's major economies, especially Germany.'

Dr Huggins, who is a Senior Lecturer at Sheffield University Management School in the UK, added 'The European Commission has made its objective the improvement of the competitiveness of all Europe's regions through investments in the knowledge economy. With the further inclusion of Bulgaria and Romania from the beginning of 2007, if the Commission is to go anywhere near achieving this aim there is a requirement for its Cohesion Policy to be clearly focused on understanding and removing the bottlenecks hindering the competitiveness of many regions in Europe.

The European Competitiveness Index measures competitiveness based on indicators of investment and employment levels in research and development activities, numbers of patent applications, transport infrastructure and accessibility measured by motorway, vehicle, and rail capacities, air freight and passenger movements, as well as labour productivity, GDP per capita, earnings, and unemployment rates.

The report also publishes a list of those regions that have the greatest potential to improve their competitiveness in the future. The top ten on this list consists of five regions from Poland, three from Finland and two from Slovakia.

The index of national European competitiveness is headed by Finland (5th in 2004), followed by Luxembourg in 2nd (2nd in 2004), Switzerland in 3rd (1st in 2004), Norway in 4th (3rd in 2004), and Denmark in 5th (4th in 2004). The bottom three nations are the Baltic states of Latvia (27th), Lithuania (26th), and Estonia (25th).

The report finds a strong association between competitiveness across Europe and investment in secondary and tertiary education, and levels of employment in high-technology service sector activities, particularly IT and telecommunications.

Notes for editors

To arrange an interview with Dr Huggins please contact Lindsey Bird, Media Relations Officer on 0114 222 5338 or email l.bird@sheffield.ac.uk.

The European Competitiveness Index benchmarks 118 regions (which includes small states such as Latvia, Cyprus, and Malta), as well as national index of the 25 European Union member states plus Switzerland and Norway.

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