



## European-American Business Council

*"Investment ~ Innovation ~ Integration"*

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### ***Atlantic Century II Report Delivers Mixed Trans-Atlantic Message: U.S. Today Ranks 15 Places Higher than the EU, however the EU has Improved Faster than the U.S. in the Last Decade***

**BRUSSELS** – Europe and the United States continue to face an urgent need to improve their innovation-based competitiveness if they are to achieve a robust economic recovery, according to a report released today by the Information Technology and Innovation Foundation (ITIF).

The report, *Atlantic Century II: Benchmarking EU and U.S. Innovation and Competitiveness*—produced by ITIF with support from the European-American Business Council (EABC)—updates the 2009 report of the same title. The report compared the EU and U.S. within a field of 40 nations and four regions on 16 key indicators of innovation-based competitiveness, such as scientists and engineers, corporate and government R&D, venture capital, productivity and trade performance.

The 2011 report finds that of the 44 countries and regions surveyed, the U.S. is fourth, (its rank in 2009 as well), behind Singapore, Finland and Sweden. This is down from the number one position in 2000. In contrast, the EU member states rank 19 today, 15 spots below the U.S. In the 2009 report, the EU ranked 20.

The EU did make marginally faster progress than the U.S. over the past decade—while America made little or no progress—with the EU ranked 28 and the U.S. 43. The relative improvement of the EU over the U.S. in the last decade is driven by EU and member state efforts through innovation incentives and lowered corporate tax rates to be more globally competitive. In contrast, the U.S. continued to have one of the highest corporate tax rates in the world.

The 2009 report served as a wake-up call for government and industry leaders about the long-term competitiveness of the West, and many have cited the report when making the case for revitalizing Trans-Atlantic investment and innovation.

*"The Atlantic Century II confirms that the world is a more connected and competitive place than ever before,"* said EABC President & CEO Michael Maibach. *"The very technologies created by Americans and Europeans—the telephone, the jet airplane, the integrated circuit, the PC... and the Internet—are used today by virtually every nation to level the playing field and serve customers everywhere. EU and U.S. leaders must fashion policies and take high-impact actions to lift the competitive environment of their societies. This can best be done through EU-US cooperation on business standards and policies that create a single Atlantic market. The*

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resultant economies of scale and friction-free supply chains can help the West regain global competitive leadership. Today it is slipping away.”

Of special concern for U.S. leaders is the fact that the nation continues to rank at the bottom in innovation capacity improvement and competitiveness over the last decade.

“The Great Recession and the incredibly anemic recovery are seen by most pundits as simply the result of a failure of regulation, in the case of the former, and a long time to recover from financial crises, in the case of the latter,” said ITIF President Robert D. Atkinson. “What this report points to, however, is that it was America’s declining innovation performance that was at the heart of the economic crisis and remains at the heart of the current slow economic recovery. Unfortunately, we continue to merely wait for the storm to pass when we should be hard at work revitalizing America’s leadership position in the global innovation economy. We cannot create the jobs we need so long as we are ranked next to last in terms of change.”

If there is good news for the U.S. in *Atlantic Century II*, it is the fact that America still has strengths, particularly among U.S. states. Were they independent nations, the top nine U.S. states (Massachusetts, California, Connecticut, New Jersey, Washington, Delaware, Maryland, Colorado, and New Hampshire) would lead the world in terms of innovation and competitiveness.

In addition to the state comparisons, the other change from the 2009 report is the addition of Argentina, Chile, Indonesia, Malaysia, South Africa and Turkey and the omission of Malta and Luxembourg.

The report urges the U.S. to strive to be more like a Massachusetts or a Singapore and move to adopt a strategic innovation and competitiveness policy domestically, while at the same time working closely with the EU to curb the growth of “innovation mercantilism” practiced by key trade competitors.

Among the report findings are the following:

- Portugal, while plagued with debt, had the highest rate of improvement.
- The EU-10 has made even faster progress than the EU-15, particularly the Baltic States.
- India increased foreign direct investment flows 378% from 1999-2009.
- The United States leads Europe in broadband quality and subscription rates.
- The U.S. effective corporate tax rate ranks 35<sup>th</sup> highest of 40.
- Of the 89 countries and states studied, Massachusetts alone commits more than five percent of domestic product to corporate R&D.
- South Korea leads the world in college-aged citizens with tertiary degrees.

The full text of *The Atlantic Century II* may be found at: <http://www.itif.org/files/2011-atlantic-century.pdf>

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### **About the European-American Business Council:**

Chartered in 1989, the European-American Business Council (EABC) has grown to become the largest Trans-Atlantic business association, featuring 75 European and US-based member companies. The EABC is recognized as the official European Business Organization in America by the European Commission. The US Chairman of the EABC Board is the Honorable Stuart Eizenstat, former US Ambassador to the EU, and the EU Chairman is the Honorable Hugo Paemen, former EU Ambassador to the US.

For more information about EABC and its members, please visit: [www.EABC.org](http://www.EABC.org) or call (202) 828-9105.

### **About The Information Technology & Innovation Foundation:**

The Information Technology & Innovation Foundation (ITIF) is a Washington, D.C.-based think tank at the cutting edge of designing innovative policies and exploring how advances in information technology will create new economic opportunities to improve the quality of life. Nonprofit, and nonpartisan, ITIF offers pragmatic ideas that break free of economic philosophies born in eras long before the first punch card computer and well before the rise of modern China. ITIF, founded in 2006, is dedicated to conceiving and promoting new ways of thinking about technology-driven productivity, competitiveness, and globalization that the 21<sup>st</sup> century demands.

For more information about ITIF, please visit [www.itif.org](http://www.itif.org), or call (202) 449-1351.