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The Atlantic Century II Report Shows the U.S. Second-to-Last in Progress on Innovation-Based Competitiveness

WASHINGTON, DC – The United States continues to face an urgent need to improve its innovation-based competitiveness if it is 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 that compared the U.S. to almost 40 nations 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 2009 report served as a wake-up call for many public and private sector leaders about the long-term competitiveness of the U.S. Corporate leaders such as Eli Lilly CEO John Lechleiter and Intel CEO Paul Otellini—as well as top White House officials and members of Congress—have cited the report when making the case for revitalizing U.S. innovation.

The 2011 report finds that America has made little or no progress. 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.

Of greater concern, however, is the fact that the U.S. continues to rank at the bottom—second only to Italy—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 in *Atlantic Century II*, it is the fact that the United States 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,

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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 stem the growth of “innovation mercantilism” among many other countries.

Although the U.S. ranks higher than Europe, the trends are moving in the opposite direction. Of all countries and regions studied, the U.S. ranks second-to-last in rate of progress since 2000. Since 2000, the EU-15 has made slightly faster progress than the U.S. The EU’s success in this area is driven by the European Commission and individual EU-15 nations’ efforts to become more knowledge and innovation-based.

“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 today used 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 performance of their societies. This can best be done in close cooperation on business standards and policies that create a single Atlantic market. The resultant economies of scale must be used to regain their global competitive leadership.”*

Among the report findings are the following:

- Portugal, while plagued with debt, had the highest rate of improvement.
- India increased foreign direct investment flows 378% from 1999-2009.
- The United States leads Europe in broadband quality and subscription rates.
- The United States ranks first in GDP per working-age adult.
- The U.S. effective corporate tax rate ranks 35th 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 74 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 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 21st century demands.

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