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Study Finds Five Asia Pacific Economies Ranked Among Top 20 in Global Index of IT Industry Competitiveness

IT sector still an important engine of economic growth and means of accelerating economic recovery; government leaders urged to pursue pro-IT policies and support innovation

Singapore (September 17, 2009) — Five Asia Pacific economies – Australia, Singapore, Japan, Taiwan and South Korea – are ranked among the Top 20 in the world in information technology (IT) industry competitiveness. These are among the findings of a new study issued by the Economist Intelligence Unit (EIU) and sponsored by the Business Software Alliance (BSA). According to the study, these economies are ranked as the seventh, ninth, twelfth, fifteenth and sixteenth most competitive IT industries in the world.

The study, now in its third year, assesses and compares the information technology (IT) industry environments of 66 economies, to determine the extent to which they enable IT sector competitiveness.

"In today's economic climate, it is critical that governments in the Asia Pacific continue to support the growth of a strong technology sector. The IT sector remains an important engine of economic growth, and economies in the region that are supporting innovation and taking steps to stimulate technology sector output are placing themselves in a strong position to accelerate economic recovery," said Jeffrey Hardee, BSA Vice President and Regional Director, Asia Pacific.

"However, challenges for Asia Pacific governments remain. Economies like China and India must address issues such as balancing large pools of skilled IT personnel with progress in IT infrastructure. With broadband access becoming a prerequisite for many parts of the IT sector, economies with pervasive broadband penetration have a big competitive advantage over those where the infrastructure is lacking," he said.

"Additionally, the study shows that economies that have strong legal frameworks for the protection of intellectual property (IP) are generally the IT leaders and score higher in the index. In contrast, economies where IP protection has not been well enforced are not traditionally seen as innovators. Some rely instead on their low-cost labour markets to remain competitive but this is hard to sustain over time. By improving on the factors that contribute to IT competitiveness, Asian economies will not only improve their ranking but also generate long term economic growth," added Hardee.

Among the key study findings for Asia Pacific:

- Coordinated efforts among governments, universities and IT firms in the Asia Pacific are needed to improve the quality of technology training and expand the pool of potential hires. Asian economies continue to produce large numbers of IT employees but lag behind North America and Europe in providing well-rounded technology education. In Asia, IT training would benefit from greater investment in business studies and language skills.
- Robust IP protection remains essential to IT sector competitiveness. IP regimes are strong in most developed markets, and emerging economies such as Vietnam are also registering slow but steady progress, particularly in the area of enforcement. As innovation gradually becomes more important than low-cost labour to IT firms in China and India, IP enforcement is expected to improve in these economies as well.
- Economies where broadband is pervasive score highly in both the IT infrastructure category as well as the overall rankings. Australia, which falls within the overall top ten ranking, is among the world's most prominent in developing broadband stimulus plans, showing how much importance their governments attach to improving broadband access.
- Broadband penetration and PC ownership continue to languish in emerging markets, putting their IT sectors at a disadvantage vis-à-vis more developed markets. While most developed economies boast PC (desktop and laptop) ownership rates ranging between 60% and 85% of the population, rates in many emerging markets with rapidly growing IT sectors such as China, India and Vietnam languish at under 20%.
- Singapore ranked third in the category of innovation environment, owing to its strong support for R&D and its IT firms' record of patenting innovations. Taiwanese, South Korean and Japanese firms also remain the most prolific generators of IT patents in Asia.
- Taiwan and South Korea have seen steep falls in their rankings — the former from 2nd to 15th and the latter from 8th to 16th — due predominantly to deterioration in their R&D environment scores. These are a result of a change in the data source used in the index model to score IT-related patents.

"While the outlines of good IT policy are the same in good times and bad, the deep global recession has made it all the more urgent to prioritize support for the technology sector," said Manoj Vohra, Director of Research with the Economist Intelligence Unit. "Governments and industry leaders must pay closer attention than ever to ensure they have the right policies in place to maximise the benefits of a globally competitive IT industry."

Six Key Competitiveness Enablers

According to the Economist Intelligence Unit, six factors work together to create a sound environment for the IT sector: an ample supply of skilled workers; an innovation-friendly culture; world-class technology infrastructure; a robust legal regime that protects intellectual property; a stable, open, and competitive economy; and government leadership that strikes the right balance between promoting technology and allowing market forces to work.

Those economies that perform well in these six "competitiveness enablers" generally are home to high-performance IT industries. The study is intended to provide a roadmap for governments in addressing their strengths and weaknesses when it comes to supporting a strong domestic IT sector.

Other findings from the Economist Intelligence Unit research and BSA recommendations include:

- **Broadband networks are a vital factor for IT competitiveness, and the competitiveness gap could widen for economies with slower adoption.** Technology firms demand fast, reliable, and secure Internet access, and the importance of broadband will grow as more IT services and applications are delivered over the Internet.
- **Investment in skills development remains a long-term imperative**. Those economies that deliver a combination of IT, business and language skills training will generate a stronger IT workforce.
- **Protectionism and support for '"national champions" will hinder recovery efforts — and longer term sector competitiveness**. Governments must strike a balance between support that encourages industry growth and investment, and that which introduces unfair market practices and protectionism that can harm competitiveness.
- **IP regimes are improving in many emerging markets, but further progress is needed.** Intellectual property protection remains critically important to IT competitiveness and is a relatively low-cost way of stimulating long-term economic development.

For more information on the index results and the methodology, see "Resilience amid turmoil: Benchmarking IT industry competitiveness 2009," available free of charge at www.eiu.com or www.bsa.org/globalindex.

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