

2011 IT INDUSTRY COMPETITIVENESS INDEX

United States of America

OVERALL RANKING

| COUNTRY | 2011 RANK | 2011 SCORE | 2009 RANK | 2009 SCORE |
|----------------------|-----------|-------------|-----------|-------------|
| United States | 1 | 80.5 | 1 | 78.9 |
| Canada | 7 | 67.6 | 4 | 71.3 |
| Chile | 32 | 43.2 | 27 | 46.1 |
| India | 34 | 41.6 | 44 | 34.1 |
| China | 38 | 39.8 | 39 | 36.7 |
| Brazil | 39 | 39.5 | 40 | 36.6 |
| Mexico | 44 | 37.0 | 48 | 32.0 |
| Argentina | 45 | 36.2 | 41 | 36.5 |
| Russia | 46 | 35.2 | 38 | 36.8 |
| Colombia | 49 | 33.7 | 52 | 28.4 |
| Peru | 55 | 25.5 | 55 | 26.0 |
| Venezuela | 58 | 24.5 | 57 | 24.4 |
| Ecuador | 59 | 23.1 | 60 | 22.7 |
| OECD | — | 57.3 | — | 57.1 |

HIGHLIGHTS

- > The US remains the top performer in the 2011 IT Industry Competitiveness Index, and it has increased in score lead over its closest rivals.
- > Although it has fallen back slightly in three categories, it is the Index leader in the three others, including the heavily weighted categories of human capital and the R&D environment.
- > The US remains the world's best environment for developing IT talent, and continued growth of R&D spending and IT patent activity has enhanced the strength of its innovation environment.

The US has held its pole position in the 2011 IT Industry Competitiveness Index, increasing the gap in score over its closest follower, Finland. The US has remained the Index leader since the study's launch in 2007.



ABOUT THE INDEX

The IT Industry Competitiveness Index gauges the information technology (IT) industry environment of 66 countries by assessing the enablers of competitiveness and determining their relative importance in IT sector performance. Now in its fourth year, it is the centerpiece of a major program of research, created by the Economist Intelligence Unit for the Business Software Alliance, into the forces that drive the competitiveness of countries' IT industries.

A complete description of the Index indicators, scoring methodology, and definitions, as well as written analysis, case studies, video interviews and other content, can be found at www.bsa.org.

Business environment: The US business environment score has taken a small dip since 2009, and as a result the country has fallen back two places to fourth in the category. The main area of deterioration is in the level of regulation involved in licensing new businesses, which is deemed to have increased in recent years. Nonetheless the US receives top marks in terms of scope for competition and the protections extended to private property. Although receptiveness to foreign capital is not as high as elsewhere in the OECD, the US remains an indispensable business location.

IT infrastructure: The US score and rank have declined here as well, its position falling from 7th to 9th. Although its underlying data improved across all IT infrastructure indicators, progress lagged behind other countries in the top ten. IT investment overall has continued to increase since 2009, and research firm IDC expects spending in the US to grow 5.6% this year. Broadband penetration is a relatively healthy 28%, but it trails well behind the global leaders, all (including Canada) with rates above 35%. The country is well populated with secure Internet servers, but its organizations' vulnerability is constantly being tested: data-security firm RSA, Lockheed Martin, broadcaster Fox, NASA, and the FBI have all experienced major security breaches in 2011.

Human capital: The US remains the world's best environment for the development of IT professionals, with a large gap separating it from the rest (although #2 China has closed the gap slightly). It is in the quality and practicality of IT skills and education that the US beats its rivals. It boasts the best universities in the world, feeding new and old technology companies, and has highly flexible labor regulations. A warning sign, however, is that tightened visa policy may be reducing the country's appeal as a destination for

study and making it harder for talented foreign graduates of US universities to work in the country.

R&D environment: The US has risen to become the category leader in this critical area of IT sector competitiveness. Both public and private-sector spending on R&D have continued to grow, despite the financial crisis. Even with the increasing fiscal stringency, the Obama administration plans to expand tax credits for business R&D. Patent activity by IT firms also increased in the early period of the downturn, according to data from the World Intellectual Property Organization. The US system of patent and trademark licensing is highly developed, but firms can find the patent application and defense process expensive and lengthy.

Legal environment: The US has ceded first place in the legal environment category to Australia in 2011, although its performance in this area remains strong. Intellectual property enjoys strong legal protections and enforcement is robust. Laws on electronic signature and cybercrime are in place, and the US is a signatory to the Council of Europe Convention on Cybercrime. Comprehensive national legislation on data privacy has not as yet been passed, although a new commercial privacy "bill of rights" was introduced to Congress in April 2011.

Support for IT industry development: The Index leader in this category as well, the US earns high marks for its national and state governments' robust but balanced support of IT industry development. They have nurtured an environment where, for example, IT firms' access to investment capital is second to none in the world. The UN's 2010 e-Government Survey puts the US second out of 192 countries for e-government development. The federal government avoids anointing champions among industry players, and generally refrains from picking "winning technologies".