INSEAD-WIPO-Cornell University rank 142 countries on their innovation capabilities. Sixth annual index reshuffles the top ten and shows gap widening between rich and poor countries.

The top 25 countries may be the same – albeit in a different order from past years – but this year’s Global Innovation Index, produced by INSEAD, WIPO and Cornell University shows there is no shortcut to successful innovation: it takes continued development of talent, sustained investment, institutional support... and the right mindset.

That accounts for some of the major position shifts in this year’s top ten countries. “The U.S. is one of the countries which, in spite of the crisis, has maintained its level of investment in research and development and in innovation-related sectors. We see, for instance, a remarkable increase in spending on computer software which is directly applied to research and innovation,” said Bruno Lanvin, Executive Director, INSEAD European Competitiveness Initiative & co-author, Global Innovation Index Report. The USA moved up from 10th place last year to number five this year.

Lanvin also notes that a “stop-and-go” policy in terms of innovation investment is generally detrimental to innovation performance. “It is much more difficult to stop investment in innovation and to resume it in a year or two... than to maintain a consistent flow of investment into innovation. Some countries have continued to do that. The U.S. is one example which has translated that into significant improvements in the ranking and governments have been using innovation investment as a countercyclical policy instrument.”

For Singapore, Lanvin attributes the fall mainly to the change in methodology which put more weight on the output side of innovation, such as creativity on the internet, licensing trademarks under the Madrid system, patents, R&D and trade-related items.

“Singapore remains very high in terms of input and dropped significantly in terms of output which is where the methodical changes have been the strongest. For instance, we see the rank of Singapore dropping when we introduce items relating to the creation of GTLDs (General Top Level Domain) names on the internet or creative industries so these are areas where we expect further adjustments will be made next year,” he added.

Top Ten 2013 Ranking

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<th>Rank</th>
<th>Country</th>
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<tr>
<td>1</td>
<td>Switzerland (Number 1 in 2012)</td>
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<td>2</td>
<td>Sweden (2)</td>
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In its 6th edition, the GII measures 142 countries, using 84 indicators, which include the quality of universities, availability of microfinance and venture capital, to gauge innovation capabilities and measurable results. On a global basis, research and development (R&D) spending levels are surpassing 2008 levels in most countries and existing innovation hubs are thriving.

**The Innovation Learners**

There were encouraging signs from the developing markets in this year’s GII with 18 emerging economies outperforming peers in their respective income groups (The Republic of Moldova, China, India, Uganda, Armenia, Viet Nam, Malaysia, Jordan, Mongolia, Mali, Kenya, Senegal, Hungary, Georgia, Montenegro, Costa Rica, Tajikistan and Latvia).

“The reason why these countries have emerged as the upcoming future champions of innovation is basically they are focused on three main pillars of innovation: They have generally fostered education, they have attracted talents and created talents for innovation; second they have also nurtured the climate of investment around innovation, they have created a culture of venture and risk capital which has helped local investors; and last but not least they have also built strong and dynamic structures of innovation, that is the institutional part of it which should not be neglected,” said Lanvin.

**Divide remains**

But, as with last year’s GII, a significant divide remains.

“It is clearly good news for the countries at the top as the top 10 are the same as last year, the top 25 are the same as last year with some games of musical chairs within those groups, but the gap between these top countries and the rest seems to be increasing,” said Lanvin.

Part of the reason for this, say the report’s authors, is that innovation success leads to a virtuous circle, where investment attracts further investment, as well as talent and innovation. Poorer countries start from a lower financial basis and are having a hard time catching up.

Even middle income countries such as Brazil, Russia, India and China (BRICs), says Lanvin, are coming up against an invisible wall, where they have progressed steadily over the years but are now stuck. He suggests that “beyond the obvious ingredients for innovation: public, private investment, education and climate, an ecosystem is needed to deal with hard to define and measure, which may be more difficult to define and measure, which have to do with the fact that innovation is not just the result of innovation, but it’s also a mindset.”

“The elements that are required to develop the talents around innovation, the degree of cooperation, still have yet to be defined and measured,” he added.

**The Hub Effect**

One way such weaknesses can be overcome, says the GII, is by looking at “local specifics” in different parts of the world to develop hubs of innovation activity. The report says that too many innovation strategies have been focused on trying to replicate successes in other parts of the world, such as Silicon Valley, rather than develop their own strengths.

“For national-level policy makers seeking to support innovation, realising the full potential of innovation in their own backyards is often a more promising approach than trying to emulate successful innovation models elsewhere,” said Francis Gurry, the Director General of WIPO.

“These hubs leverage local advantages with a global outlook on markets and talent.”

Such hubs have come to define the bee hives of economic activity and innovation taking place in cities such as Dubai and Singapore, with centres of excellence such as Internet City in Dubai, the Middle East’s biggest ICT hub and Singapore’s “Knowledge Hub” where INSEAD’s Asia Campus sits amid a bustling cluster of academic and research institutions.

“What happens at the sub-national level typically in clusters or among regions or in the city are at least as important as the countrywide type of data,” says Lanvin. “We see the emergence of these multifaceted, multitalented, multilayered type of clusters as an ingredient for success.”

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