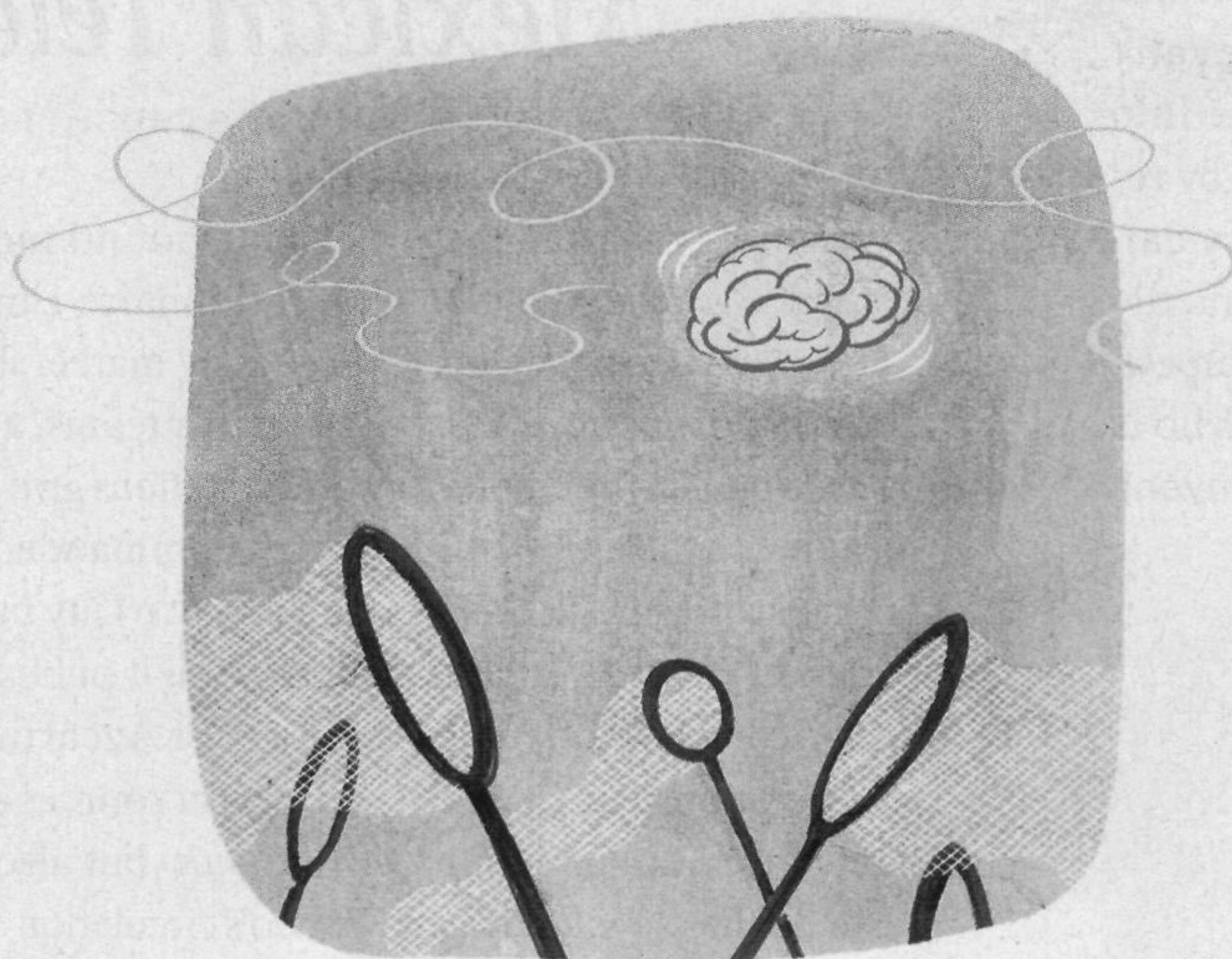


VALUE DRIVEN

By Geoff Colvin



The Battle for Brainpower

Countries are finally recognizing that human capital is crucial.

THREE SCENES from the new battle for global economic supremacy:
→ King Abdullah of Saudi Arabia, the country that sits on 25% of the planet's oil, knows that oil is not his country's future. That's why he's spending \$12.5 billion to found a graduate research university, which he'll endow with \$10 billion—as big an endowment on day one as MIT has built in 142 years. The point of this project, on a grand scale even by Saudi standards: to attract the best researchers in science and technology.

→ The European Union has proposed new rules to attract the world's most highly skilled workers. If they can show that they're well educated and hold an offer of a lucrative job in Europe, they can get a two-year renewable permit to live there. The problem Europe is trying to solve: 85% of emigrating unskilled workers from developing countries go to Europe, but only 5% of skilled workers do so.

→ HCL Technologies, an Indian infotech services firm, has noticed a major change in its best young employees. Until two or three years ago, few of them would work for it unless they were promised an overseas assignment. Now it's just the opposite: They see India as the most compelling source of excitement and opportunity, and they don't want to be sent away.

We've known for a long time that this day was coming, and

now it's here: Countries are finally realizing that their future prosperity depends not on natural resources or even on financial capital, but on human capital. Companies have been battling for years to attract and keep the best people. Now countries are engaging in the same fight.

It wasn't much of a scrap until recently. Only the U.S., Western Europe, and Japan—for a while—were even contenders. They didn't beat up on one another too badly vying for the best talent because there was enough to go around. Their economies weren't

sufficiently info-based to make talent as critical an advantage as it has become, and the economy wasn't sufficiently global for human-capital supremacy to be crucial. Now all those factors have changed; many countries are in the hunt, and they're all after the same thing.

Since this is a fundamentally new fight, no one is sure what will win it. But we can already identify some fairly deep and difficult questions the fight raises. How countries answer them will help deter-

mine national wealth and power.

How long will any country tolerate Info Age protectionism? Notice that Europe's new proposal to attract highly skilled workers is pretty pathetic. It doesn't really offer any attractions; it just scales back rules that keep those workers out. We have similar rules in the U.S., such as our skinflint distribution of

FEEDBACK gcolvin@fortunemail.com

THE U.S.
*may be rich,
but we hardly
have the best
education system.*