Globalising Cities and Regions - Rethinking the Urban and Regional Policy Agenda

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Mr. Chairman, it is a pleasure to join with you today to discuss globalisation, and the importance of enabling all regions in Denmark to benefit from globalisation.

A successful society is one where all regions are equipped to share in the opportunities and prosperity that globalisation can bring. The role of the Danish Growth Council, as I understand it, is to achieve exactly that - not only to be concerned with the national performance of the economy but to create opportunity for all parts of Denmark.

I don't think I have to say too much about the challenges of globalisation to a Danish audience. Denmark is a leader among OECD countries in recognizing the need to adjust to a different kind of world - and to become an even more innovative economy and society.

Moreover, your Globalisation Council has set out an ambitious strategy, adopted by the government, to become one of the world's most innovative economies over the next 10 years. This Globalisation Council has muscle behind it, since it is chaired by the Prime Minister.

So Denmark has a game plan for the future, based on human resources, knowledge-building and knowledge-sharing, the widespread application of information and communications technologies, and entrepreneurship.

Denmark's long history as a global trader has helped create a culture that is accustomed to change. But as we all know, globalisation - the integration of economies around the world through trade and investment, as well as the flow of people and ideas - is just one dimension of the challenges we face.

Technological change is another critical driver. It is impossible to imagine our world today without the Internet, the computer chip, and the associated high levels of systems and software. So it is not just about hardware.

Technological change has led to radically new systems of production, management, logistics and networks - to global supply chains and outsourcing and offshoring. It has also led to the rapid growth of service industries and the knowledge-based economy where the production of information and knowledge is the critical source of comparative or competitive advantage.

Moreover, major new technological advances lie ahead. The information and communication technology revolution is far from over. Advances in life sciences, in new materials and in nanotechnology, for example, will also bring major change to the products and services we make and how they are produced and delivered.

So technological change will continue to be both a beneficial and a disruptive factor in the lives of individuals, communities and countries. Societies that are most adept at developing and commercializing new knowledge and utilizing it will be the most successful.

A third major challenge comes from the aging of populations and actual reduction of the size of the working age population.

This is why it is even more important to ensure that every young person comes into the labour market equipped to work in a highly competitive 21st century world, that lifelong learning is widely available for all individuals to refresh or change their skills, and that older workers, rather than being discriminated against when it comes to re-employment, are encouraged to remain in the labour force.

A country's ability - and the ability of its different regions -to create a high-quality population and to retain and attract talented people becomes ever more important.

Dealing with change, adjusting, and creating new opportunities happens at the local or regional level - in cities, towns and villages. Which is why it is so important to promote adjustment and change in all parts of a country.

National governments set many of the framework conditions that determine the environment and capacity for innovation, make strategic investments, and set tax, competition, social welfare and education policies which can inhibit or encourage innovation and adjustment. But it is also true that when it comes to innovation and adjustment, national governments cannot go it alone. Local initiative matters as well.

In our work at the OECD, we have paid a lot of attention to this issue, addressing not only the opportunities for major cities, but also looking at how smaller cities and towns, as well as rural areas, can participate in the global economy.

There is no doubt, of course, that a country's major city or cities are central to the country's success. This is where much of the talent gathers, where new knowledge is created, innovation occurs and the links to the rest of the world are established.

These major cities, and Copenhagen is one, are key drivers of economic growth. This is why, in our work in helping countries adjust to globalisation and technological change, we have put so much emphasis on the role of cities.

It would be hard to imagine a strong Denmark without a thriving and innovative Copenhagen. The competitiveness of its people, its businesses and its institutions really matter.

It is in a city such as Copenhagen that talented people, in universities and research institutes, in businesses large and small, in local organizations and networks, come together to generate new ideas and commercialise them, leading to new products, services and ways of doing things, as well as new businesses, all of which are essential for generating new jobs and the creation of wealth that sustains a high quality of life.

But for cities to be successful, they must also achieve equity and social cohesion, as well as environmental sustainability. They must be safe and friendly places in which to live, and to raise a family. And they must be inclusive as places where there is opportunity and fairness for all.

In many respects, Copenhagen is a successful city. It has undertaken important measures to reduce the use of the automobile while providing public transportation alternatives. It is clearly a creative city, in design and the arts. It is a bustling commercial city. It is a city of learning - and a knowledge-based city. In 2005, the Royal Institute of British Architects named Copenhagen its first ever European City of the Year based on the quality of the public realm, its housing and neighbourhood policy, cultural life, ease of transportation and promotion of the principles of good urbanism.

However, while the health and prosperity of Copenhagen is critical in providing a strong foundation for Denmark, we have to consider the other regions of the country, where 75 per cent of Danes live.

All of us at the OECD were impressed by the fairly smooth way in which Denmark reorganized and rationalized city and local government, reducing the number of municipalities from 270 to 98, allowing the new municipalities to reach a more productive size for the delivery of public services and the enhancement of their competitiveness.

But of course this is only the first step. This is where the Danish Growth Council, with its various regional bodies, has the critical role to play, pushing down to the local or regional level more of the responsibility to identify the best ways in which each region can become more competitive.

Regional planning and development is a challenge in most OECD member countries. Unfortunately, the examples of failure of policy probably outnumber the examples of success. That is one reason we in the OECD will be paying close attention to the initiatives of the Danish Growth Council and the work of its various fora.

One of the most useful roles of the OECD is to study the policies and institutions of member countries, eview their effectiveness, and develop benchmarks tied to policies that are the most effective.

Even countries with high overall rates of growth may have regions that lag and have not participated in the process of growth. So overall levels of growth do not necessarily lower regional disparities. More has to be done.

Underperforming regions represent a lost opportunity, as the human and other resources of the region are not being fully utilized. Moreover, one of the best ways to improve social cohesion in a country is by strengthening the competitiveness of regions.

In fact, experience shows that regional development policies based on subsidies to companies is not an effective way to pursue development in the regions. A much more effective approach is to help regions themselves become competitive, building on local strengths and capabilities and enhancing them.

Regional development must be about wealth creation, and upgrading regional assets, not just a redistribution policy. It is about building place-based assets and potential that will attract business investment and strengthen local firms already in the region. Where once we focussed on national systems of innovation, now we must focus on regional systems of innovation as well.

This doesn't mean a narrow approach based on so-called high-tech sectors. It means focusing on innovation in all sectors and spheres of activity. Tourism, crafts and food can all be successful activities which generate regional wealth. And they can all be innovative, state of the art.

To achieve regional innovation it is important to improve physical infrastructure, education and healthcare, the environment for start-ups and growth of small and midsize businesses, the sharing and spreading of knowledge, and the availability of support services.

The availability and quality of support services and finance are especially important. Accounting, consulting, legal, human resources, marketing and financing services are vital if a region is to have an entrepreneurial climate. The importance of specialized business services for small and midsize companies is too often overlooked.

If there is a university or technical institute, it also has an important role to play. Universities and technical institutes can help companies, especially small and midsize enterprises, solve technical, managerial or marketing problems, as well as helping to provide skilled people and access to lifelong learning. Moreover, local networks of entrepreneurs and supporting service industries represent an important means of knowledge-sharing in a community.

As OECD research has found, the greater the capacity of a region to attract and retain skilled people, businesses, and outside investment, the more competitive it is.

Physical infrastructure, such as transportation and communications, as I have mentioned, clearly matters. But so do strengthening regional capacity for policy planning and implementation; involving civil society and the private sector in building regional strengths and setting priorities; and developing mechanisms of cooperation between national and local governments.

Building good governance capabilities at the regional level and enabling planning based on economic rather than administrative regions is particularly important. Local regions need the skills to evaluate projects, set priorities, build coalitions and develop strong negotiating and relational skills.

The Danish Growth Council will have an important role to play in examining the various regional business development strategies developed by regional growth fora and ensuring there is a good fit between regional and national policy initiatives.

The Danish Growth Council should also play a role in helping regions within Denmark develop relationships with regions in neighbouring states. Such a relationship is already well-established between Copenhagen and southern Sweden, the Oresund Region. This is an outstanding example of cross-border cooperation, in creative or knowledge-based industries ranging from life sciences and logistics to food and IT.

And there are other cross-border opportunities. Denmark is part of the Baltic Sea community, which includes Malmo, Stockholm, Helsinki, St. Petersburg, Gdansk, Tallinn, and Riga. It is also part of the North Sea community, which includes the Netherlands, Norway, Belgium and Britain. And, of course, it borders on Germany to the south.

Regions should be encouraged to consider cross-border opportunities that make economic sense. The global economy is increasingly one of networks of cities and regions.

Building healthy and innovative regions across Denmark puts an onus on the national government as well, to ensure that regions have an input into national policies and that there is adequate coordination between different national government departments and agencies in dealing with regions.

Fortunately, this appears to be well understood in Denmark. The work of the Danish Growth Council will be judged by its success in helping to achieve this difficult task of ensuring that national and local policies and initiatives are well coordinated and mutually reinforcing.

We live in challenging times. But perhaps the biggest challenge is to give our societies the confidence that change is not the enemy and globalisation is not the threat. If a society has a shared vision of its future, based on trust and cohesion, along with policies that create opportunity for all and fairness in outcomes, its people should have no fear of the future and should be more open to change.

I congratulate Denmark on being one of these forward-looking countries. With its national project for an innovative society, and a recognition that all parts of the country must contribute to its future success and share in it, Denmark is almost certain to remain one of the world's most prosperous societies without compromising its social principles or the environment.

It is perhaps not surprising, then, that The Economist Intelligence Unit last year declared that the business climate in Denmark would be, for the next five years (2006-2010) the best in the world, an honour that Denmark also won for the last five years, 2001-2006.

Keep up the good work. Complacency is our only threat.