

## *Foreword*

In recent years, the economic and social costs of persistent disparities in economic performance across regions have become apparent. National economic growth is limited by the lagging productivity growth in some regions. Within affected regions, persistently high unemployment and stagnating or declining wages create economic hardship and diminish people's confidence in a better future. As a consequence, there are populations in many OECD countries are increasingly discontent with the status quo and, not surprisingly, there is a geographic pattern to much of this discontent.

Helping all regions identify opportunities in globalisation is essential, and ensuring countries remain open to globalisation will require greater success in addressing regional divides within. The costs and benefits from trade are unevenly distributed across regions. Whereas in most regions the benefits from trade have far outweighed the costs, some regions have mainly experienced its downsides. In those regions, old industries have been harmed severely by foreign competition and large numbers of workers have lost their jobs. Furthermore, adjustment processes have been very slow and in many of those regions the jobs have not returned. In the future, unemployment might be exacerbated as jobs become increasingly automated.

To reduce such spatial disparities, policy makers need to address low productivity growth in economically lagging regions. Raising labour productivity is not only essential for long-term economic prosperity but also the only way to ensure sustainable wage growth. Beyond economic output and income levels, productivity matters for many other dimensions of well-being. It is, for example, directly linked to the resources that are available for investments in health care or environmental protection.

This report assesses the regional and national framework conditions that are conducive for the “catching up” of lagging regions and examines how tradable sectors, clusters and well-functioning cities contribute to this process. The analysis is complemented by concrete policy lessons and examples on how to harness the opportunities provided by a globalised world and effectively address the challenges that it brings. Put differently, this report is asking the question: How can all regions benefit?

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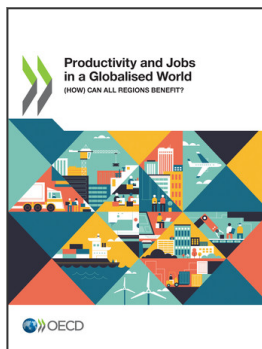
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