

# Conference on European Economic Integration 2021

## Recalibrating tomorrow's global value chains – prospects for CESEE

Compiled by Maria Silgoner<sup>1</sup>

The Conference on European Economic Integration (CEEI) was held in November 2021 by the Oesterreichische Nationalbank (OeNB) in cooperation with the European Investment Bank (EIB).<sup>2</sup> Given the complementary nature of the regional research focuses of both institutions and their long-standing collaboration, the EIB was the ideal candidate for this cooperation. Around 300 participants from more than 25 countries took in and discussed past trends, recent challenges and future prospects for global value chains (GVCs), with a special focus on the Central, Eastern and Southeastern European (CESEE) region.

In his introductory remarks, *Robert Holzmann, Governor of the OeNB*, started out by pointing to the manifold advantages resulting from integration into GVCs, which has proved to be an engine of economic growth and development over the last decades. The CESEE economies, in particular, have benefited from deep GVC integration, which has strongly supported their successful transition and catching-up process. However, recent events have laid bare the vulnerability and risks associated with GVC integration. The COVID-19 pandemic, in particular, has brought about significant disruptions in global production networks. As a consequence of the resulting shortages of raw materials, inputs and intermediate goods, global industrial production and trade flows have been severely hampered, highlighting Europe's dependency on these crucial imports. Some individual sectors such as the car industry – a sector the CESEE region is heavily reliant on – have been hit particularly hard. Governor Holzmann moved on to stress that, in addition to pandemic-related challenges, we are witnessing profound structural shifts in our economies as the world is increasingly determined to tackle climate change. He warned that these shifts, as well as the impact of climate change itself, may push commodity prices even higher – in addition to the cyclical upturn in inflation. Governor Holzmann wrapped up by drawing the audience's attention to the most pressing policy priorities and unresolved questions that loom ahead. These include striking the right balance between relocating production to ensure strategic autonomy and diversifying trade flows to create a more robust world trading system.

Next, *Ricardo Mourinho Félix, Vice-President of the EIB*, shed further light on the challenges associated with the current recovery process. He noted that if the supply bottlenecks and disruptions were temporary, their impact on our economies would eventually disappear. However, as the EIB's large firm survey corroborates, there is widespread concern that the ongoing changes in demand and supply will be structural. If so, they might not only be long-lasting but also change the structure

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<sup>2</sup> Originally planned as a hybrid event, the conference had to go fully virtual at short notice due to new pandemic-related government regulations.

of GVCs. Against this background, Vice-President Mourinho Félix emphasized the necessity of reducing dependency on imports of strategically relevant inputs. While policymakers focused all efforts on stimulating demand after the global financial crisis, it is now key to also keep a close eye on the supply side and build more resilient supply chains. The EIB has played an extremely active role in the context of recovery from the COVID-19 pandemic. After having first tackled immediate health-related emergencies and having supported European companies' liquidity needs, the EIB now aims to help boost investment, innovation and job creation in Europe and provide necessary resources for the climate agenda. On a final note, Vice-President Mourinho Félix showcased the EIB's support to the CESEE region, which is based on a firm commitment and long tradition.

### **Ricardo Hausmann: Do GVCs make development easier?**

In the following keynote lecture, *Professor Ricardo Hausmann from Harvard University* demonstrated in an impressive and illuminating way what GVCs and the modular principle of the word game Scrabble have in common. He views production as assembling “letters,” which stand for capabilities, to make “words,” which represent products. Since technology has developed more capabilities (letters) and has made products more intricate (longer words), one would assume that the world has become a complex place where only those who have all the letters can get into business. Yet, this is not the case thanks to GVCs which allow for trade in syllables, not words. GVCs have thus made progress easier for less developed places, allowing them to participate in production with fewer capabilities. In other words, GVCs allow for growth of complexity without its downsides. However, for GVCs to open these new doors, technology has to spread, and more coordination is required. While transferring know-how into brains is a slow and tedious process, moving brains, i.e. workers with know-how, to places where they are needed is much easier, cheaper and faster. However, coordination and foreign direct investment both become more difficult with distance. Yet, the better the infrastructure, the easier it is to overcome distance. Against this background, Professor Hausmann concluded that the most important prerequisites to reap the full developmental gains from GVC integration are migration policies and transport infrastructure. Applying these findings to Austria, he pointed out that the infrastructure particularly in the east and south of Vienna has to be better developed.

### **Stability versus vulnerability in GVCs: tracing the benefits and risks of increasing interconnectedness**

*Debora Revoltella, Director at the EIB*, chaired a session on the benefits and risks of GVCs. She emphasized that growing interconnectedness of production processes comes with many challenges, as has become obvious during the COVID-19 pandemic. However, countries have been rather resilient. Moreover, CESEE countries, in particular, could potentially gain from the relocation of production from Asian countries to the region.

*Gábor Márk Pellényi, Economist at the European Commission*, argued that specialization in services matters for economic development and convergence. First, services capture a higher share of value added in GVCs and, second, services are less volatile than production, as was witnessed during the global financial crisis. This is due to the fact that the provision of services needs fewer intermediate inputs

and is less sensitive to supply disruptions. Of course, this was different during the COVID-19 pandemic, as many services are contact-intensive. So far, the CESEE region has mostly attracted assembly-like production, while being less specialized in providing services. To shift the region's focus toward services would require investments in skills and strong digital infrastructure.

*Andreja Jaklič, Professor at the University of Ljubljana*, focused on domestic versus global value chains, explaining that CESEE countries started out with a lower share of domestic value chains compared to Western EU member states. Furthermore, CESEE has seen this share decline in importance over time. Taking Slovenia as an example, she pointed out that complex value chains feature lower productivity growth. This could mean that the CESEE countries are not yet ready for complex value chains. According to Jaklič, this might in turn explain missed convergence opportunities in the region. With reference to the COVID-19 pandemic, her research shows that only firms that had invested in human resources and digitalization managed to improve their position within GVCs during the crisis. She agreed that CESEE countries should focus on digitalization in order not to get stuck in the middle.

*Fritzi Köhler-Geib, Chief Economist at the KfW Group*, showed in her intervention that German small and medium-sized enterprises (SMEs) have been hit hard by the COVID-19 pandemic due to the collapse of international trade. A special feature of the current crisis is that internationally active companies have been hit harder than locally operating companies. Many companies have learned their lessons and intend to reexamine existing GVCs. This could be a window of opportunity for CESEE countries, as many German companies want to diversify their GVCs by putting a stronger focus on European markets. Köhler-Geib concluded by saying that firms have so far proved to be very flexible during the COVID-19 pandemic, which is why she was confident that firms would also be able to move toward a green digital economy.

The last panelist, *Boris Vujčić, Governor of the Croatian National Bank*, argued that GVCs have been less affected by the COVID-19 crisis than predicted. Overall, GVCs have been recovering rather quickly, and while some reshoring has already taken place, no major reversal is underway. He expects GVCs to remain resilient with no major disruptions. Vujčić agreed with previous speakers that digitalization is a key factor for reaping the benefits of GVC integration. Speaking from a central banker's point of view, he added that structural changes driven by technology improvements are expected to be cost-efficient or even cost-neutral, leaving no impact on the inflation rate in the medium to long run. Touching on environmental issues, he pointed out that the aim of reducing carbon emissions could negatively affect GVCs in developing countries, as production tends to be more emission-intensive. However, exports of emission-efficient technologies from Europe to developing countries could also have an impact on the structure of GVCs.

### Central bankers' views on monetary policy implications of GVC integration

*OeNB Governor Robert Holzmann* opened the following panel with the observation that while the role of globalization for domestic prices has received increased attention, this has been less the case for the impact of multistage international production processes on the design of monetary policy. The latter impact has become

particularly evident in recent months, with prices of (imported) intermediate goods and raw materials rising considerably due to pandemic-related disruptions in GVCs.

*Jiří Rusnok, Governor of the Czech National Bank*, started out by stressing Czechia's deep integration into GVCs, mainly because of the large weight of the automotive industry in the country's GDP. He emphasized that GVC integration increases cost and price competitiveness due to comparative advantages of international specialization, while at the same time making economies more vulnerable to disruptions originating in GVCs. Such disruptions act as a supply-side shock, increasing inflationary pressure and slowing economic growth. Having moved higher up the value chain over the last three decades, the exchange rate pass-through has lost importance for Czechia, converging to levels typically observed in more advanced economies.

*Mārtiņš Kazāks, Governor of the Bank of Latvia*, perceived his country's integration into GVCs as a key instrument to strengthen domestic productivity, exports and eventually income. While GVC integration thus implies substantial opportunities for small, open economies, Governor Kazāks took the position that many aspects of vulnerabilities can be best addressed by using instruments that lie outside the monetary policy realm like targeted labor market policies. Moreover, he argued that domestic disinflation is not an adequate solution, as long as the current price pressure stems from global supply-side frictions and remains transitory (i.e., as long as second-round domestic effects remain negligible). He also emphasized that the effectiveness of monetary policy in the euro area would benefit from further integration within Europe.

*Peter Kažimír, Governor of the National Bank of Slovakia*, stressed that the automotive industry is also very important for Slovakia, referring to the negative impact of recent commodity price hikes. Taking a longer-term perspective, he argued that increased GVC participation has been associated with lower core inflation and a flattening of the Phillips curve, not only in Slovakia but also globally. At the same time, Governor Kažimír expressed his skepticism about GVC participation returning to pre-pandemic levels any time soon, as initiatives to nearshore and diversify supply chains have already been launched – not least for geopolitical reasons.

In a second round of discussion, the panelists addressed the impact of price hikes that may directly or indirectly result from the climate crisis. All three governors from the CESEE region agreed that monetary policy is not in the driving seat in this context; rather, fiscal and structural policies are better suited to addressing the climate crisis and tackling the transition to green economies. However, they also acknowledged that there is an impact on price stability, financial stability and banking supervision, and thus on central banks' ability to achieve their mandates, requiring close monitoring also by central banks. Governor Kažimír expressed his concern that a rapid green transition could increase production costs, putting an upward pressure on prices. This would likely require a tighter monetary policy stance. While decarbonization-related investments could indeed have inflationary effects in the short run, Governor Kazāks expects a positive impact on economies' growth potential in the longer run. This might be best sustained by an accommodative monetary policy stance. Overall, he pleaded for more research on the inflationary effects of the climate crisis and put up for

discussion whether the impact of carbon pricing should be taken out from the euro area's inflation target.

The final round of discussion focused on the implications for euro adoption. The declining role of the exchange rate pass-through to inflation in Czechia gave rise to the question of whether this could be an argument pro euro adoption. Governor Rusnok replied that although Czechia's economic integration with the euro area has gradually deepened, there is currently no political majority in the country to progress accordingly. Governor Kazāks stressed that during the global financial crisis, when Latvia had not yet adopted the euro, constrained external borrowing was a major challenge, while this time, during the COVID-19 pandemic, being part of the euro area has acted as a shelter ensuring sufficient access to funding. Governor Kažimír emphasized that during the global financial crisis, Slovakia benefited from having joined the exchange rate mechanism (ERM II) in 2005 and from having adopted the euro in 2009. Being part of the euro area has also been helpful for Slovakia's participation in GVCs.

### **Structural changes in the automotive industry: Can CESEE escape the functional specialization trap?**

The chair of the panel on structural changes in the automotive industry, *Robert Stehrer, Scientific Director of the Vienna Institute for International Economic Studies (wiiw)*, started off by reminding the audience of the vital significance of this industry for the CESEE region's economic development. In the same breath, he also mentioned the various challenges ahead, such as supply chain disruptions and environmental issues. In their lead statements, *Matteo Ferrazzi, Senior Economist at the EIB*, and *Tomáš Slačik, Senior Economist at the OeNB*, presented an ongoing study, jointly conducted by the EIB, the OeNB and the wiiw, on the future of the automotive industry in CESEE. They focused on the current electric car revolution, particularly driven by EU regulation. In their assessment, CESEE is well integrated into this transition and is expected to largely benefit from it, not least due to its links with Germany, the electrification hub. However, CESEE is strongly dependent on decisions taken by companies' headquarters, where more high value is created. The authors underscored the role of policies in promoting patent applications, digitalization of production and regional and technological diversification.

The following panel debate brought together three proven experts in the field. *Sigrid de Vries, Secretary General of the European Association of Automotive Suppliers (CLEPA)*, emphasized the sector's commitment to supporting the climate transition in a manageable way. At the same time, she stressed that all renewable energy solutions and clean drivetrain technologies are needed to decarbonize the road transport sector and achieve the EU's climate neutrality objective. Against this background, she particularly called for a technology-open approach avoiding any technology bans. She went on to alert the audience to the social and employment dimensions of the climate policy-induced transition in the automotive industry. According to a recent study conducted by CLEPA in cooperation with PwC, a pace of vehicle electrification in line with the European Commission's "Fit for 55" proposal implies that about half a million jobs would be at stake in the European automotive industry until 2040. Yet, the findings presented by de Vries also suggest that new jobs created particularly in European battery production would reduce the net job losses to 275.000.



According to *Petr Pavlínek, Professor at the University of Nebraska Omaha and Charles University*, Europe will stay a significant player in the automotive industry, as it is an important market and car production needs to be located close to final sales. Moreover, CESEE continues to be attractive for the automotive industry thanks to its continued lower labor costs and proximity to markets. However, the high degree of foreign ownership and weak innovation activities indicates that combustion engine production may stay longer in the region and the introduction of mass production of electric vehicles will be slower than in Western Europe.

Referring to the previous speaker, *Martin Jahn, Board Member of ŠKODA AUTO a.s.*, was more positive not only about the sector's innovative power in CESEE but also about its future, with a lot of electric vehicles already being produced in the region. He admitted that the transition would take some time, though. Even when assuming that new combustion engine cars will no longer be sold after 2035, they will still remain in operation until about 2045. This will give the industry enough time to adjust. Moreover, Jahn highlighted that not only electrification but also other trends like automated driving provide many new opportunities for suppliers. Yet having said that, Škoda's Board Member stressed that policy support is needed for upskilling and R&D investment to facilitate what will be a major structural shift. Jahn concluded by pointing to the "one-million-dollar question" that nobody can really answer at this point, namely how quickly electric vehicles will be accepted by the market despite or as a result of the strong push by policies from both public sector and private sector companies. The ensuing discussion with the audience centered on how future mobility trends may affect demand for cars. The panelists agreed that cars will continue to be produced in Europe on a significant scale, the question is only by whom. Demand for cars is expected to stay roughly constant, while the global car market will grow.

### **Richard Baldwin: Risks in global supply chains: Do we need policy?**

The virtual dinner speech was delivered by *Richard Baldwin, Professor at the Graduate Institute Geneva*. He pointed to the great heterogeneity within GVCs with respect to size, complexity, products, country and regional coverage as well as the variety of interaction modes. As a result, GVC risks also differ depending on the type and configuration of each supply chain. Moreover, GVCs can be subject to supply, demand or transport shocks. Hence, appropriate policy responses have to take into account the different kinds of supply chains and the type of shock. At the same time, recovery from shocks hinges on the robustness and resilience of the respective supply chain, whereby robustness refers to the ability to continue functioning during shocks and resilience refers to the ability to quickly recover after shocks. Professor Baldwin then focused on systemic shocks to supply chains – such as pandemic, climate and geopolitical shocks, or the recent US-China trade conflict – which imply a case for government intervention. Referring to the well-known risk versus return trade-off, he pointed out that private companies are likely to underestimate risks, opening up a role for economic policy in three ways: First, policies need to match the respective shock. Demand shocks are best addressed by stockpiling and holding excess capacity, while the answer to supply shocks is to geo-diversify sourcing. In contrast, transport shocks call for the reshoring of suppliers. Second, policies should work on the principle of "no regrets," i.e. they should provide public information on suppliers and apply public stress tests to

critical supply chains. Finally, the public sector should work as a macro circuit breaker. This was demonstrated well in the pandemic when macroeconomic stabilization dampened snowball effects and thus kept demand afloat. Baldwin argued that public intervention to address possible risk-return misjudgments by private companies should focus on certain industries of public interest, such as medical supplies, essential foodstuff and strategically important inputs.

### **Hylke Vandenbussche: Digitalizing and greening GVCs: What does the future hold?**

The second conference day was opened by *Birgit Niessner, Director of the OeNB's Economic Analysis and Research Department*. After summarizing the main takeaways from the previous day, she put the focus on fundamental changes that will shape tomorrow's GVCs, in particular on digitalization, decarbonization and the supporting role of the EU by way of its Green Deal. This was taken up by *Hylke Vandenbussche, Professor and Vice Dean of Research at the University of Leuven*, in her keynote lecture. Europe is facing serious supply problems for critical production inputs, in particular microchips. Europe was a first mover in this industry in the 1990s, with a global market share of 40% (currently down to 10%). The European Chips Act, announced in September 2021, aims at doubling chip production in Europe by 2030 to secure supply of microchips, reduce vulnerabilities and reach more technological sovereignty. Professor Vandenbussche pointed out that this represents a new form of non-protectionist strategic trade policy, which is not aimed at substituting for imports from competing suppliers but rather at complementing domestic production. Whether this is a viable strategy remains to be seen, as it implies a major efficiency-availability trade-off with potential implications for product quality as well. But in view of increasing systemic risks, the balance may well shift toward availability considerations. However, there are still many open issues related to reestablishing the microchip industry in Europe. More specifically, Europe still has to determine in which parts of the value chain it wants to invest in, decide on the regional dispersion of production within Europe and consider the availability of necessary raw materials as well as the ecological footprint. And then broader questions also arise: Will the reestablishment of the microchip industry foster a new regionalism, thus putting the multilateral approach under pressure? Will government interventions work for the technology sector given its reliance on innovation? And how can strategic mistakes from the past be avoided, which caused critical technology players like Philips, Nokia and Ericson to exit the European market?

### **The future of GVCs from the firms' perspective: relocation, regionalization and just-in-time manufacturing in CESEE?**

In his introductory words, the chair of the first session on the second conference day, *OeNB Executive Director Eduard Schock*, cited examples of supply chain problems one may encounter today: For delivery of a new PlayStation, you may need to wait for a couple of months, for a new car a year, and for bike components up to two years. He then raised the question of whether we are indeed embarking on a period of regionalization.

*Professor Giorgio Barba Navaretti from the University of Milan and Sciences Po, Paris*, pointed to the costs of shortening GVCs or nearshoring. As GVCs tend to embody

relationship-specific sunk costs (incurred search costs for good partners), it tends to be quite costly to give up relationships. Breaking up GVCs might be more attractive if trade and transportation costs with distant partners swelled substantially. As to Europe, there is plenty of evidence that CESEE is highly integrated into GVCs; yet, the contribution of domestic value added tends to be quite shallow (e.g. in the motor vehicle industry). If CESEE aimed at a more sophisticated integration, the region would need to upgrade its social and service technologies. While GVC structures in Europe are likely to be resilient, a deepening of these chains and a clear technological overhaul in CESEE currently appear unlikely, in his view.

*James Zhan, Director of the United Nations Conference on Trade and Development (UNCTAD), pointed to GVCs' two decades of growth, followed, from about 2010, by tendencies of stagnation. Currently, we are witnessing regionalization pressures. In response to growing geopolitical tensions, GVCs are restructuring and partly reshoring. Against the backdrop of the continuing US-China trade war, national security needs have also been driving GVC diversification. In order to reduce vulnerabilities, governments may play a larger role. In Zhan's opinion, the overall directional trend in international production points toward shorter value chains and greater concentration of value added.*

*Xiaolan Fu, Professor at the University of Oxford, emphasized the importance of digitalized value chains for sustainable post-pandemic GVCs. Lessons learned from COVID-19 and the trade war will push business to build more resilient production systems. Geopolitically determined regionalization is the major underlying trend, as she put it. Chinese firms have experienced a significant positive impact of digitalization on the service sector and have benefited from expansion of 5G and cloud technology. Overall, digital technologies should also be harnessed to facilitate global knowledge flow, especially in a situation where human mobility is still hindered by pandemic-related measures. The green transition may imply a comparative advantage for on- or nearshoring. In the post-COVID-19 world, there may be a "green window of opportunity."*

### **Building a smart and green Europe: GVCs and the role of skills**

*Mark Keese, Head of the Skills and Employability Division at the OECD, chaired the next session on smart and green GVCs. He started off by asking whether the green transition is adding to global disrupting trends that require challenging structural adjustments, or whether it is an opportunity for CESEE economies to be more innovative and more closely integrated into GVCs.*

*Michael Landesmann, Professor at Johannes Kepler University Linz, provided a review of how CESEE economies' integration into GVCs has contributed to convergence, relying, however, on strong specialization in the production phase. He argued that economies may be restricted in moving beyond this specialization, especially in the intra-European context where the potential for further outsourcing is limited. Moreover, in CESEE's manufacturing sectors, restructuring will be employment-saving; however, the region will need to address a legacy of high inequalities within countries both regionally and demographically. Professor Landesmann argued that structural adjustments toward green and smart economies will require active labor market policies and sufficient funds to address these CESEE-specific challenges.*



*Olga Strietska-Ilina, Senior Skills and Employability Specialist at the International Labour Organization (ILO)*, highlighted that the pandemic augmented inequality in the labor market with respect to job security, gender and skills. At the same time, awareness of climate-related vulnerabilities intensified, raising demand for green skills and jobs. In addition to developing new skills, Strietska-Ilina stressed the need to reskill workers, i.e. to raise workers' awareness of how their skill set needs to change to work in a greener way. Furthermore, she argued that new skills, such as resilience, change management, problem-solving, innovation and creativity as well as occupational health and safety, have become extremely important during the pandemic.

*Alexandra Bocșe, State Adviser and Head of the Department of Climate and Sustainability at the Romanian Presidential Administration*, provided insights into Romania's experience. She highlighted that the country is involved in the construction of components for wind turbines and has successfully developed regional champions, such as the Renewable Energy School of Skills and a new biofuel plant. At the same time, Alexandra Bocșe stressed that there are a number of regions in the country which are reliant on coal and pollutant industries. Workers in these regions will be strongly affected by the green transition and will require programs to develop new or transferable skill sets. In the subsequent discussion, the three speakers expressed concern about the increasing risk of polarization within countries and highlighted the need for better governance of skill systems and for better cooperation between public and private stakeholders.

### **The future of GVCs from the political economy perspective: strategic autonomy, social responsibility and environmental sustainability**

Past crisis episodes have taught us about the importance of sustainable supply chains, putting the spotlight on the discussion around strategic autonomy of vital production. On top of that, an increasing number of countries has imposed social responsibility and environmental sustainability standards in production. The chair of the final session, *Gabriel Felbermayr, Director at the Austrian Institute of Economic Research (WIFO)*, emphasized the timeliness of the discussion, given recent initiatives at the EU or World Trade Organization (WTO) level. He highlighted three recent factors that are likely to shape future trade policy: (i) the vanishing trust in the global economic system, as trade policy was repeatedly abused for domestic policy objectives; (ii) the increasing use of trade policy to achieve social, environmental and human rights objectives; and (iii) the national attempts to safeguard domestic businesses after the introduction of measures such as CO<sub>2</sub> pricing.

*Maria Demertzis, Deputy Director of Bruegel*, pointed out that the discussion is too narrowly focused on the dimensions of dependency versus strategic autonomy, neglecting related trade-offs: If you are autonomous, you are very predictable but forgo potential efficiency gains, e.g. from economies of scale. A map of the "geography of dependence" shows that the US and the EU are highly interdependent, with both hinging heavily on China. While the EU's dependency on China is concentrated on a small number of items, these have shown to be crucial (including health products or raw materials). For example, 98% of EU imports of rare earths, which are central to any greening strategy of the economy, come from China, limiting scope for diversification. Demertzis warned that a reversal of globalization would disproportionately hurt less advanced countries whose development depends

on their integration into GVCs. We would also give up a key instrument to push important social and environmental goals. Global public goods such as the environment require global collaboration. What we need is thus a narrative of global, fair solutions instead of strategic autonomy discussions.

*David Haugh, Senior Economist at the OECD*, focused on his institution's contribution to increasing pressure on firms, urging them to adhere to certain social responsibility standards in their operations, supply chains and business relationships. The OECD's Multinational Enterprise Guidelines and Due Diligence Guidelines give recommendations for responsible business conduct that apply to firms at home but also to their trading partners and complement respective domestic legislation. From a political economy perspective, this approach has proved to be effective in spite of its voluntary nature: Recent research shows that adverse reports have some negative impact on share prices.

*Robert Koopman, Chief Economist at the WTO*, began by observing that 12% of greenhouse gas emissions are caused by transportation of traded goods. However, producing everything locally would not solve the problem, as less efficient local production may offset the gains from shorter distances. By the same token, domestic production would not fully isolate from the adverse effects of climate change (e.g. hurricanes). Over time, Koopman expects supply chains to become more modular and standardized, providing parts and components that fit into many different products. Current WTO negotiations about sustainable economic growth have revealed diverging views on how to balance responsibilities. With climate challenges being too pressing to wait for a global consensus, groups of countries may push ahead with climate clubs in certain areas.

In his concluding remarks, *OeNB Executive Director Thomas Steiner* emphasized the wealth of interesting presentations and stimulating discussions on the risks and benefits that arise from increasing interconnectedness and on the most promising avenues for future-proofing tomorrow's value chains. After recapping selected key messages to take home from the conference, he thanked the organizing teams, both at the OeNB and the EIB for their efforts. He concluded by expressing his hopes that next year's conference will again be held as an in-person event in Vienna.