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## Concluding remarks

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

Concluding remarks at the Conference on European Economic Integration  
(CEEI) 2021

Ladies and Gentlemen,

I am very honored to join you to conclude this year's Conference on European Economic Integration (CEEI). Over the last two days, we have had the privilege of listening to a series of highly interesting presentations and stimulating discussions on the risks and benefits that arise from increasing interconnectedness and the most promising avenues for future-proofing our value chains of tomorrow.

On behalf of the OeNB, I would like to thank our co-host – the European Investment Bank (EIB) – for organizing this year's CEEI with us. Given the complementary nature of our regional research focuses and our long-standing collaboration in many areas, the EIB was the ideal candidate for this cooperation. I would also like to thank the organizing teams, both at the OeNB and the EIB for their outstanding efforts. And just as importantly, let me thank all the speakers, panelists and moderators as well as all the conference participants. Your contributions, remarks and interventions have made this conference a true success. I would also like to say a big thank you for everyone's flexibility in adjusting to last minute changes in the conference setup, i.e. when the CEEI had to go virtual only due to the pandemic situation.

Now let me quickly recap some of the key messages we have heard over the past two days. First of all, it is important that we do not forget the lessons of the recent past. While the COVID-19

pandemic has certainly put the spotlight on the risks associated with global interconnectedness, Professor Hausmann also reminded us of the power the diversification of global value chains (GVCs) holds. He enhanced our understanding of the great opportunities that production fragmentation may offer, not only in terms of economic outcomes and possibilities, but also with respect to product variety, product complexity and product quality. He also underlined the importance of adequate transport infrastructure to reap the full developmental gains from GVC integration, shedding light on the important role Austria plays for the economies of Central, Eastern and – above all – Southeastern Europe (CESEE) in this context.

Another lesson we can take away from the last two days is that while many firms are currently thinking about regionalizing their supply networks to increase the resilience of their business models, such considerations may turn out to be short-lived once the pandemic is over. After all, experts agreed that reshoring is associated with substantial sunk costs, and decoupling from GVCs does not necessarily make firms more resilient to foreign supply shocks. However, the experts from the automotive sector were a bit divided on CESEE's potential for innovation and, hence, the region's capacity to fully reap the benefits resulting from the shift toward greener and smarter vehicles in the transportation sector.

Turning to the role of policy in GVCs, Professor Baldwin emphasized that one size does not fit all, meaning that different products require very different GVCs in terms of regional coverage and international cooperation across business entities. He drew our attention to different types of risks and the general risk-return trade-off that guides the decisions of both private companies and public policymakers. Policy has to address each shock differently; it should be transparent and forward looking. In this context, Professor Baldwin referred to a concept that we as central bankers are very familiar with, namely stress testing, which should act as a circuit breaker. Quick and decisive public support during the pandemic has worked well in keeping demand afloat. However, Professor Baldwin finally warned that such strong policy action cannot be undertaken too often.

Let me also quickly recall the discussion of yesterday's central bank governors' panel on the monetary policy implications of GVC integration. In their discussion, the panelists highlighted the positive effects of GVC integration on the economic development and competitiveness of the countries in the CESEE region. Since the impact of supply bottlenecks on price levels was estimated to be relevant in the short to medium run only, the panelists did not see a need to

rethink inflation targets at the current juncture. Likewise, while acknowledging that climate change will impact on prices in a more structural fashion, the panelists stressed the need of having a better understanding of the impact of climate change before rethinking inflation targets. Furthermore, they agreed that climate change is best addressed with fiscal and structural policies, with central banks remaining vigilant to the effects of these policies and of climate change itself at the same time.

In her keynote, Professor Vandenbussche addressed the scope of international and EU regulation to promote structural shifts, such as the digital transformation of economies and the greening of production, highlighting the European Chips Act as an example. Corresponding action may serve as an anchor to increase the strategic autonomy of our economies and to ensure an inclusive and sustainable post-pandemic economic recovery which does not leave countries or people behind.

Policy can certainly play a crucial role in shaping tomorrow's GVCs, for example by refocusing trade agreements toward regional and bilateral solutions, by promoting sustainability-oriented production and by imposing disclosure requirements for environmental, social and governance (ESG) standards.

With this last message, I would like to once again thank all of you for joining us for this conference. Let us stay in touch, and I hope to see many of you again at next year's conference! Stay healthy.