European regional resilience to supply shocks diffused through Global Value Chains

Topic: Distributive consequences, allocative possibilities and resilience
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The paper examines how COVID-19â€“related supply shocks spread across European regions through Global Value Chains. Using variation in national policy responses and regional production structures, it shows that downstream transmission via backward linkages produces uneven regional resilience. Integrating NUTS2 datasets, classifying EU regions by development-trap risk, and embedding inter-regional and inter-industry indicators in a local-projection regression framework, the study finds that real value added reacts heterogeneously to foreign and domestic shocks. The results caution against withdrawing from GVCs, as doing so could weaken the mechanisms that help dynamic regions absorb and withstand external disruptions in the long run for policymakers.

Special Organized Session: Distributive consequences, allocative possibilities and resilience properties across GVCs

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