

## **Interview with Ben Van Roose from Agoria (15th April 2021)**

AG : So, I will just start by reminding you what the topic of my thesis is. “How will the backshoring trend evolve after the COVID-19 crisis ? Are we going towards a new paradigm of regionalisation ?” And backshoring, in my thesis, I defined as bringing the production back to the main country of the company because you may have heard about reshoring, there is also near-shoring but that’s how I defined it. Of course, we can also talk about reshoring but so you mean what I mean specifically by backshoring.

BVR: You mean reshoring or backshoring ? Doing it back in the country ?

AG: Exactly, it’s reshoring back to the home-country. So, to begin with, could you start by introducing yourself and Agoria ?

BVR: Agoria is a federation of the technological sector in Belgium, it unites all technology-inspired societies and companies in Belgium, which is today about 2,000 companies. With rather different sectors, going from digital to energy to really manufacturing industries and material industries etc. So, we really have a very large scope of companies that we unite. We are a “xxx-organisatie”, it means that we are defending the employers and the industries, and we live through and by the industry. Let’s say that we are also working on the interprofessional agreements, we’re a big support. We’re also the biggest part of the FEB-VBO, as being the representatives of the technological sector.

And myself, I’m Ben Van Roose, I’m the manufacturing manager within Agoria, so I’m responsible for the manufacturing pillar within Agoria. We have the digital pillar too, the telecoms pillar and we have the manufacturing pillar. And you need that for the manufacturing industries but also services-relied are linked to that.

AG: Thank you very much. So, in link with the topic, what are, in your opinion, the main challenges that have affected most companies since the beginning of the COVID-19 crisis ?

BVR: The main challenges or purely in back and reshoring ?

AG: It can be everything, if reshoring was not a challenge, you don’t have to mention it. It’s a general question.

BVR: First of all, in the first, are we discussing specifically Belgium here or in general ?

AG: In general

BVR: First of all, let's say the first lockdown had a real impact on industries as such and there we discovered what the impact was of the international and global value chain, to be clear. So, even though there was a law that under these circumstances haven't taken the right measures to protect the people and to keep corona out of your company. At a certain moment, due to the fact that value chains were blocked globally, due to the fact that companies had to close for example in China, this had also an impact on the continuity of the processes in our country or in Europe in general. So, what we saw is that even if companies could stay open and had taken the necessary measures. There were still, let's say, obliged to close their companies because of a lack of materials or a lack of parts that came from or should come from around the world. So, that were things that we discovered. So, the biggest challenge there was in two areas: first of all, getting industry back open, how do we inform our industry and what are the measures to be taken concerning corona; and on the other hand, not only in our country but also making that this work also around Europe and globally, the faster an industry was back open in another country or in another part of the world, the faster the whole story could restart and the whole value chain could take it up. That was typically linked to corona, let's say.

And then, we saw and even today, a later phase concerning corona, for example, the semi-conductors we have today, the famous chips discussion. You see still today what is the impact of a global value chain and a change in global markets also on our industries, which now, questions are being raised about semi-conductors, medical devices, communication equipment, electric cars ... So, that's in Europe, but also Belgium and in the United States for example, the same discussion at the moment.

AG: You may find the next question a bit similar. But particularly regarding supply chains, how were they disrupted during the COVID-19 crisis? If you have any example of companies or products in particular ?

BVR: Let's say that in general it was not that easy to make, to disrupt, because... With disruption, you mean, creating a solution that wasn't thought of prior to the crisis, let's say it like this. Because, depending on the kind of company, there's also a reason why certain materials were for example not available in our country or in Europe even. And that was historical. For example, the tissue to make mouth masks in the beginning was not available in Europe. There were only two companies worldwide that made that kind of tissue. So, how would you disrupt ? You cannot start a whole weaving in a couple of weeks for this kind of

material. Now, today, due to the complete necessity we had in mouth masks, for example Ontex is making the material for mouth masks, but they didn't do it in a couple of weeks, it took them at least more than a year I think to get that far and because, there's also, at a certain point, you have to ask yourself why I'm doing it, what's the impact, how much volume I'm going to have, is it going to be in continuity afterwards ? And certainly in the beginning, due to the fact that value chains also had their historical reasons, why they are doing it. It is price sometimes, we have the labour costs in our countries and in Europe, which is compared to others and compared to the transcorrelated, still makes it worthwhile to do it there.

And on the other hand, historically, maybe, you have some interest to stay there where you were as a value chain, because the solution that you have developed is maybe co-created also with that specific supplier. And disrupting or changing suppliers may also have an impact on your stock and also an impact on how you handle that. If you have 2-3 suppliers, if you have one supplier, a specific supplier or two for a specific product. Then, you have to change that whole strategy, that could also have an impact on the volumes that you are taking and then maybe, you have smaller volumes and then, the volumes also have an impact on your price, etc. And then, you need a second supplier. There's a lot of things to be taken into evaluation when they will take these decisions whether they are going to, yes or no, reshore some production, for example, the semi-conductors discussion today. The industry is blocked due to the fact that we are more working at distance, we have more screens, more necessity of chips or semi-conductors. But creating a semi-conductors company in Europe or even worldwide costs you billions. In the US, I don't recall the name for the moment but there's a company, I think intel, who is going to invest twelve billion to create a company. So, you can do that as a strategy to keep it local and not be dependent on China, as Europe, as Belgium, you're not able to say "I'm going to create a semi-conductor company only for myself", so you have to see it in a European way and even then, with all the means we have and the European strategy, recovery program, it's a big amount of money, twelve billion dollars for one type of company, creating 2,000 jobs but it may be a very important part of a value chain. These are things to be evaluated at any step taken.

AG: Well, that's a very practical example that you're working on at the moment. That's interesting. Also, how did companies react to cope with the challenges ? What did they change at the height of the crisis ?

BVR: That's different from company to company. What I will do, we have made the manufacturing matters study, did you read that study? We've created a study a couple of weeks ago, in which there are interviews with 32 companies on how they reacted on that different area and it depends a bit on company by company but let's say that in general, the uncertainty was the biggest issue, I will send you the download link, so you can download the study afterwards and use it yourself. Of course, there have been 24-25 people interviewed on how to react. But the biggest thing is how do you change your strategy? Do you change your strategy, what do you do? And it depends a bit on the kind of company also. You mean, we have companies that we called invented here, in Belgium, let's say, these are people who are creators of their own product and they're masters of what they're doing but also have an international GVC. And you have people who are doing purely assembly work here, and sometimes that's another discussion. But the biggest issue was uncertainty, how do you keep people motivated, because depending on the material and the value chain interrupted is one thing but on the other hand, there's also a new way of working, in which you have corona that was present in the company. It was not that obvious and even today it's not that obvious to find the right solutions. And depending also on your value chain and some have, some smaller companies have decided to make things back in Belgium or nearby, backshore, but others are still re-evaluating what they should do. The Suez canal issue we had a couple of weeks ago is a bit, on top of everything that happened, also, if you have this important vein, let's say, because it's one vein, which was interrupted one week only, the impact is enormous. Yesterday evening, I heard a company that instead of bringing this by boat, which was blocked, today, they had to bring, to reach out, the airplanes were overbooked for transporting, railway was overbooked for transporting, they had to transport now over the way from China to Germany. So, the impact sometimes is enormous. And it's not because the canal is back open that the whole value chain has restarted just like that again because there are a couple of other ships with very important material that are blocking and still today at the harbours.

So, it's a very just-in-time exercise but it's not that obvious to back and reshore let's say.

AG: Well, I will have a look then at the study you conducted.

BVR: I will also send you other material that may be interesting for you to go through. Also, there was an interesting article even today in the Financial Times, and I will send you a study because Patrick who was also invited could not join us, but a study of the effects of backshoring in the EU that was launched a couple of, a period ago and I will send it over to you too as it

can give you some interesting feedback to study also. It's 4-5-6 pages, why yes, why not ? Because it depends really on the company.

AG: Of course. And, how do you think global value chains will evolve after the COVID-19 crisis ?

BVR: It's very unclear I think. You have the COVID crisis. For example, in China, you have a lot of goods that were exported from China a long time ago, we had until 60-70% or more that were exported from China and now they have completely other figures for the moment. It's been a third of their goods is being exported. Separately from the COVID discussion, there are also evolutions going on. For example, Chinese producers exported 71% of their finished goods for 2005 and now in 2018, it was only 29%. So, it was less than half of them. But that means that value chains were also changing and I don't think there's one clear answer on how it's going to be and if you read several articles, they always remain at the same thing, it's not that obvious to either backshore. You have to rethink your strategy but there's sometimes an importance why you are at a certain location globally. We have for example, to go to cars, we have cars in the VW group, we have VW cars Belgium but we also have one in China and the 19 model is made in China for example and comes to Belgium or Europe. And in Belgium, we are also producing cars for that part of the world. So, there's a reason why you are locally also, you have local clients maybe for a kind of product and so you decide to make it there. So, it depends a bit on the type of product but depending also on the very typical, is it an electronic, is it a semi-conductor that will also change. But even one company can take the decision that are not always that obvious. VW invested for example, but that's due to electrification, they will invest 70 billion in electrification of vehicles, which will also have another type of value chain in Europe. So, they will create 6 factories in Europe for batteries for example, 6 plants. So, they will not, it won't be batteries that come from China but that's also an evolution of electrification, and not necessarily an evolution concerning the COVID, it's linked but it's also strategy-wise.

You have also the impact of your carbon footprint, which also has to be taken into account, if you are transporting goods from one side and maybe, how can you reduce the global footprint of the production of your product ? Which is also a greener view, a green deal, which also has to be taken into account and proximity for certain products will be more important and I think it's linked to strategy in combination with the lessons learned from COVID but I think it's more related, it's a combination of both.

AG: And just to be sure, the company that's going to invest 70 billion dollars in electrification is Volkswagen ?

BVR: Yes. You can find the articles if you look online, 70 billion I think.

AG: It's just I wasn't sure if you had said Volvo or Volkswagen.

BVR: VW yes

AG: It's made clear now. And what do you think about companies bringing back some or part of their production as a consequence of the COVID-19 crisis ? Have you heard about any company that did it ?

BVR: Not that many for the moment to be honest. There are some and there are smaller cases and people are rethinking but some parts of the world are doing good, depending on the sector but there are things that are going well. Really, I think there's a lot of exercise being done at this very particular moment. At company, at corporate company level, with the lessons learned from COVID. Now, with the Suez Canal, supply chains are being re-evaluated but I don't, it's not that you do it like that. So, I think even in different articles you read, it's not that obvious to back or reshore, but there's also maybe other impacts on, you have the carbon footprint but then you have also the conditions in which they are working in some parts of the world, do you want, as a company or as corporate, to accept these circumstances in which people work or no, that's some layer that comes but that's a separate discussion from the COVID-19.

AG: So, what you were mentioning, do you think these are decisions that were made before the COVID-19 and that were, I don't know, strengthened by the crisis or were they really triggered by the crisis. You said the smaller examples, because you also mentioned the carbon footprint.

BVR: I think that every company, due to the impact of corona and the impact on the value chains that a lot of companies are evaluating, why, yes or no. But it is not, I don't think there's a one solution-fits-all in this and depending on the kind, the size and the typical product, but everybody is making its exercise, in combination of local representation, carbon footprint and a lot of things are being evaluated at the moment. Why should I, yes or no, re or backshore and that will be different for every company and every company is making its homework at the moment.

AG: The few examples you've heard about, are they mainly smaller companies, medium-size companies, large companies ?

BVR: Many many small or medium-size. And really, and ontex for example for the mouth masks discussion and some companies have taken the occasion and the opportunity for example, in medical devices, there were some local productions being raised over the past year but in general let's say, in existing companies who are really back and reshoring in the large sense of the word, there are not a lot of examples, there are some but there are very few.

AG: OK, and so, the second part of my thesis is about regionalisation, so producing. Well, manufacturing products closer to the markets companies want to serve and so my question is "Do you think that manufacturing will remain global to supply all markets from around the world, as it is right now or will it become more regional with production centres closer to the markets, as a consequence of the COVID-19 crisis or other events ? Or do you see another system for the future ? It's a long question, I can repeat if you want me to.

BVR: A big role, which is an important part for this discussion is for example, the Brexit one or America first or other discussions. I mean, that's, how the global value chains and how the protectionism in some countries or in Europe and even within Europe sometimes, because even if we have. That's a bigger issue, I think, it's covid related yes but I think that covid is a layer on that but the most important, the decisions that Trump took or the British have taken will have a large impact on the value chains. That was maybe a bigger trigger, why are people for example producing in the States and if you don't have a local production, you don't get your products. These are big amounts that are being, a big taxation. So, that's more mainly a reason why that could be a bigger issue than, maybe we could, our colleague Kevin is very, can give you more feedback on that. But let's say, in a general way, without going into more detail, this is a bigger threat, protectionism is a bigger burden, let's say for corporates. Therefore, that's why we, and also protectionism within Europe. And because even with resilience and the relance facility programme, you see that Europe is admitting that people can invest more, loans can be added, countries can get more subsidies to certain types of products and this is also some kind of reshoring or backshoring discussion, but even there, you see now a big competition between the European countries and who's going to be the leader in one type of product and then, you see for example if we discuss now about hydrogen, you see that even France or Germany or Holland are putting billions into that technology and that we also invest in that technology but the amount in Belgium is a couple of hundred million and then just a bit north

of us, we're talking about billions and a big further, about more billions. And that's also disrupting value chains and knowledge about a certain value, product or technology. So, first of all, you have the big protectionism discussions, America First, Brexit and others that have an impact and then you have the America-China war, it also had a very important impact on our business and so that's things that we say, we don't need that kind of protectionism, let's keep as clear as that, so that we can export because export is a very important part of our economy, 70% of our goods are exported, so we need that as easy as possible. It has to run as smooth as possible. It's also an important one.

AG: While we were talking, I also noted 2 topics that interest me that you mentioned, it's about semi-conductors, you're working on it right now and the impact of the GVCs on the carbon footprint. I don't know if you want to say something else about it or talk about it more in detail ? Or is it too new to talk about it right now ?

BVR: Semi-conductors is not something we work on, it's an issue. Semi-conductors is an issue, some companies are blocked because there's a lack of semi-conductors at this moment. There was some strategic discussions in the past in automotive and they had, the way of negotiating in automotive with the suppliers and semi-conductors was different than the one in electronic devices let's say and they're suffering a bit in that area. But semi-conductors is an exercise that runs and in some countries, in the States for example, they are really going to invest. But in Belgium, we cannot invest in semi-conductors, in Europe maybe but it's now an exercise but that's a necessity that exists and that is being evaluated now but Belgium alone is too small for that.

And the other one was the GVC, what do you mean about the GVCs ?

AG: The impact on the carbon footprint. From the GVCs, you said that some companies could decide to reshore for that specific reason, to reduce their carbon footprint.

BVR: No, these are things that are being taken into account more and more, I mean, if you have a green deal, you have a carbon footprint, if you are producing goods or parts of the goods on the other side of the world, you have the impact of your transport, your transport is coming here, you have, so more and more they are thinking, so as a company we have to detail and demonstrate our carbon footprint, and so, that's what you have to take into account. So, that could also be a reason, when they are evaluating, that this is also something that they are taking into evaluation, that could cause also other reflections. Ok, that's maybe the reason why we

should re-analyse this kind of value chains for example and an opportunity due to changing technologies or electrification of vehicles etc. That's things that are going on at the moment.

AG: I don't know if you want to talk about something else we haven't mentioned in relation to ?

BVR: Maybe you should, your analysis is specifically on backshoring in Europe due to covid.

AG: Yes, well, I analysed first backshoring before the crisis so I saw other issues raised by companies, such as a lack of flexibility to differentiate the products, or companies were not satisfied by the quality of their production abroad, some companies reshored for the "made in" label, the fact that you can write "made in Belgium", "made in France". But these were elements already present before the covid-19 crisis and for my thesis, I had to specialise on something new and that's why I chose this.

But thank you very much for your answers.

BVR: I'll send you two documents if you want to go into more detail on how people reacted on the crisis, how they cope with the challenges. We also made an interview with the university of Anwerp and they were really on resilience, on finance and investments, on leading organisations, it was really a different kind of international context, a different kind of outputs and maybe that gives you some insights that can help with your study.

There were also things that were increased to give you an idea, corona also increased some things in a positive way. I mean technology used for international way of working even if people couldn't travel, they were remote and support is being also something that causes an opportunity for some companies, instead of travelling, they could work locally with other means, that's also some kind of disrupting way of working. There's no impact on the value chain but specifically in how you go further. Alright ?

AG: Yes. And do you have any recommendation of people I could contact for an interview ?

BVR: My colleague is more on the international protectionism. If you really want to talk to companies, I will have to double-check first with them if they're interested to talk to you. I have some names, they're contacted by the press but I have to ask them.