Global Value Chains and Inclusive Development:

Asian Development Policy Report 2026



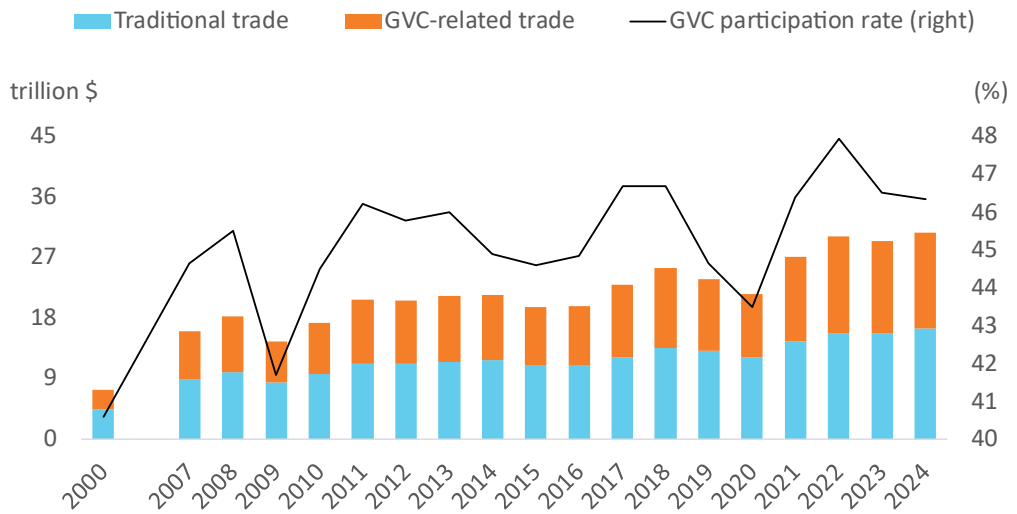
ATTN

6-8 October 2026
Singapore

What do global value chains mean for growth, inclusion, and policy in Asia and the Pacific?

- To what extent and how is Asia and the Pacific embedded in global value chains (GVCs)?
- Have GVCs driven growth in developing Asia and the Pacific?
- Who has benefited from GVC-led growth, and who has been left behind?
- How are GVCs changing in a world shaped by geopolitical tensions, digitalization, and decarbonization?
- What do these shifts mean for inclusive development?
- What policy systems are needed to support inclusive development, and how can they work together more interoperably?

Evolution of GVC-related Trade, GVC Participation Rate, and Traditional Trade



GVC = global value chain.
Note: GVC trade is defined using the approach of Borin and Mancini (2019) and is the sum of forward and backward GVC trade. GVC participation rate is the ratio of GVC-related trade to the sum of GVC-related trade and traditional trade. Data are available for 2000 and 2007-2024.
Source: ADB calculations using data from ADB. Multiregion Input-Output Tables.

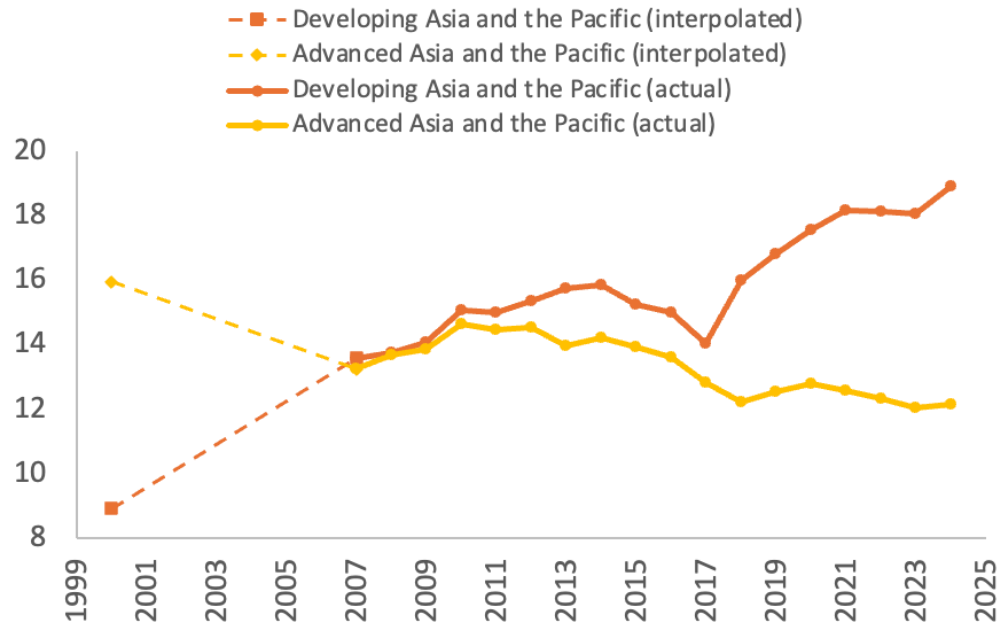
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Asia and the Pacific has contributed substantially to the rise in GVC trade, albeit unevenly

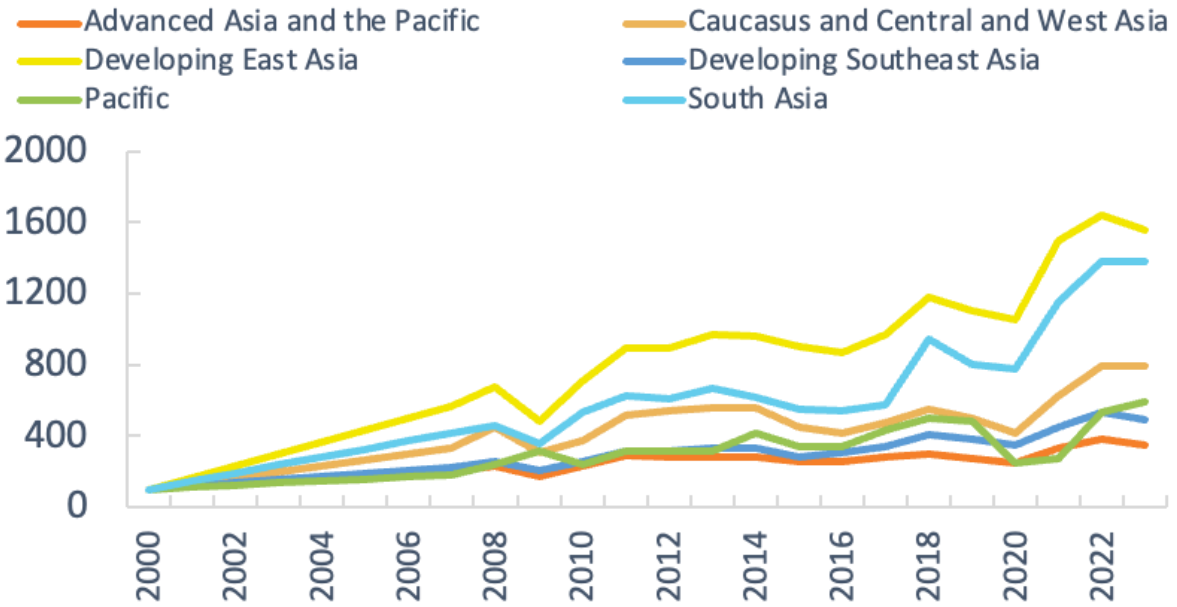
Developing Asia and the Pacific's share in GVC trade doubled from 9% in 2000 to 18% in 2023

(a) Asia and the Pacific's Contribution to GVC Trade (%)



All subregions have seen substantial increases in their GVC trade, with developing East Asia and South Asia showing the most impressive growth since 2000

(b) Evolution of GVC Trade Index by Asian Subregion
(2000 = 100)



GVC = global value chain. Advanced Asia and the Pacific = Australia; Hong Kong, China; Japan; Republic of Korea; Singapore; Taipei,China. Caucasus and Central and West Asia = Kazakhstan; Kyrgyz Republic; Türkiye. Developing East Asia = People's Republic of China; Mongolia. Developing Southeast Asia = Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Philippines; Thailand; Viet Nam. Pacific = Fiji. South Asia = Bangladesh; Bhutan; India; Sri Lanka; Maldives; Nepal; Pakistan.

Note: The GVC trade index was constructed by obtaining the GVC trade by Asian subregion, indexed to 100 in 2000. GVC trade is defined using the approach of Borin and Mancini (2023) and is the sum of forward and backward GVC trade.

Source: ADB calculations using data from ADB. Multiregion Input-Output Tables.

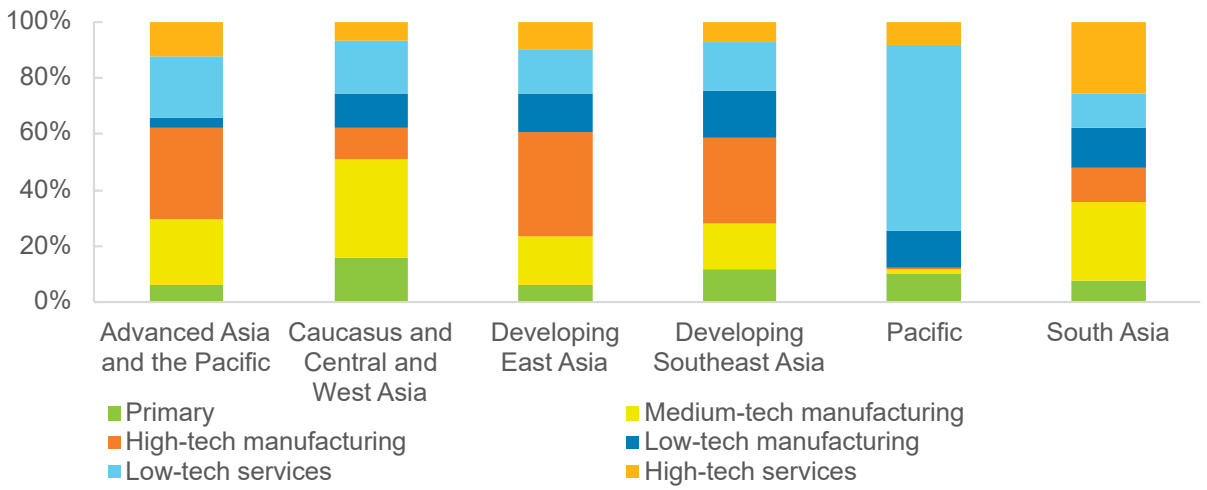
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GVC participation by Asia and the Pacific economies involves different pathways

Asian subregions participate in GVCs through distinct sectoral niches, reflecting different capabilities, resource endowments, and stages of development.

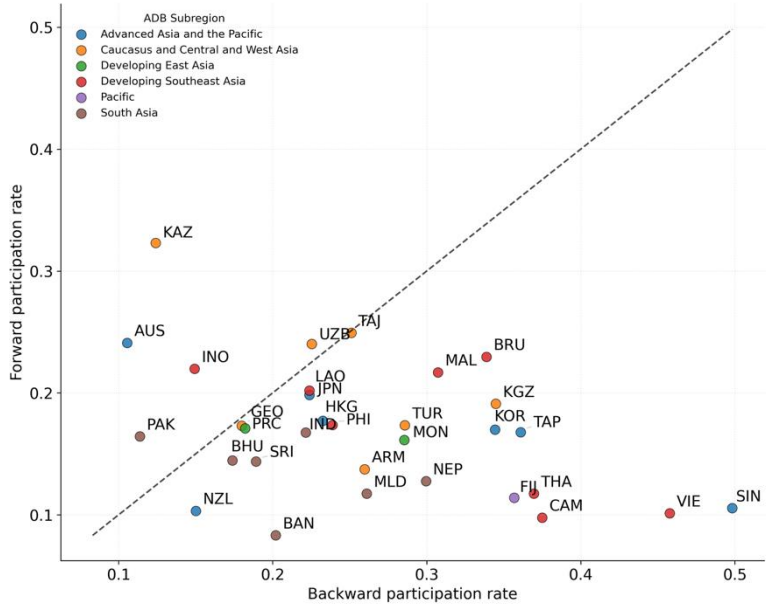
(a) Composition of GVC trade by Sector and Subregion, 2023



GVC = global value chain. Advanced Asia and the Pacific = Australia; Hong Kong, China; Japan; Republic of Korea; Singapore; Taipei,China. Caucasus and Central and West Asia = Kazakhstan; Kyrgyz Republic; Türkiye. Developing East Asia = People's Republic of China; Mongolia. Developing Southeast Asia = Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Philippines; Thailand; Viet Nam. Pacific = Fiji. South Asia = Bangladesh; Bhutan; India; Sri Lanka; Maldives; Nepal; Pakistan.
Source: ADB calculations using data from ADB. Multiregion Input-Output Tables.

Economies differ not only in how connected they are, but also in where they are positioned along the value chain

(b) Forward and Backward Participation Rates in 2023



GVC = global value chain.
Note: GVC trade is defined using the approach of Borin and Mancini (2019). The forward and backward GVC participation rates are the ratio of forward and backward GVC-related trade to the sum of GVC-related trade and traditional trade. Data are available for 2000 and 2007-2024.
Source: ADB calculations using data from ADB. Multiregion Input-Output Tables.

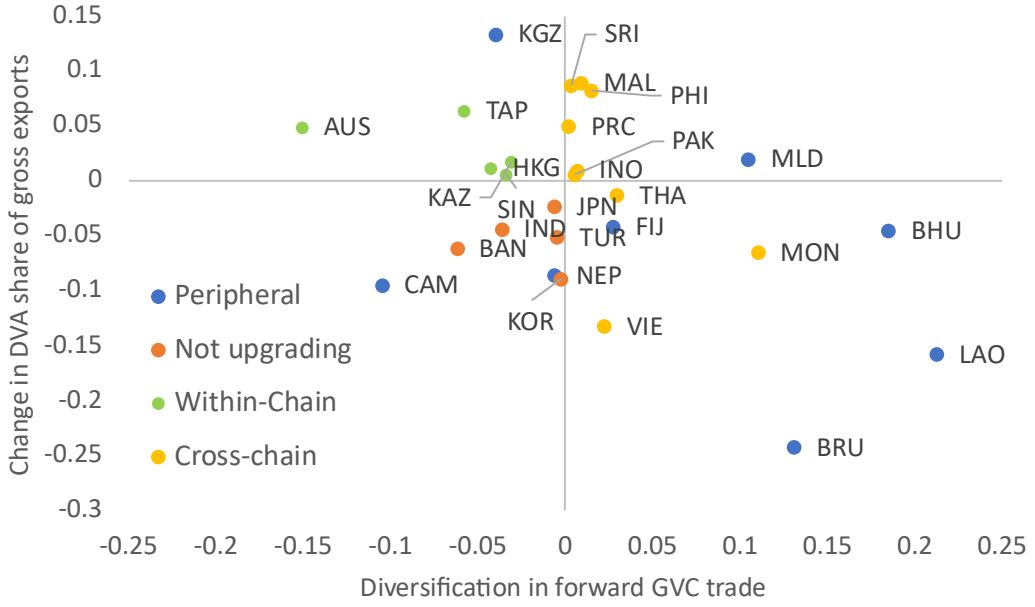
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Upgrading in global value chains shows divergent paths across developing Asia and the Pacific

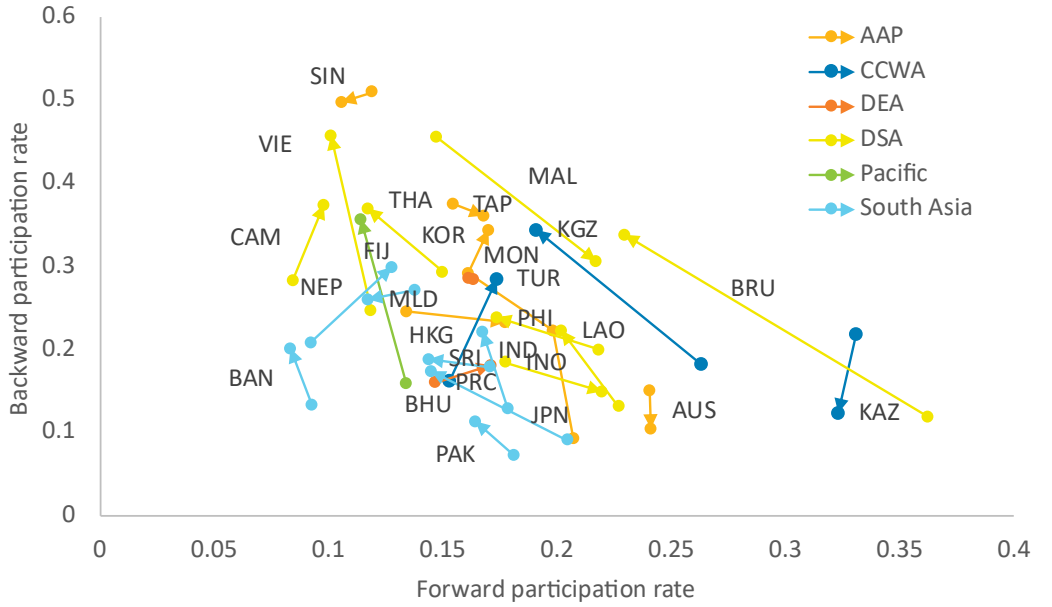
Upgrading is uneven across dimensions, with few economies both diversifying across value chains and raising domestic value-added performance

(a) Evolution of GVC Trade, Selected Asian Economies



Few developing Asia and the Pacific economies have shifted upstream in GVCs

(b) Evolution of Forward and Backward GVC Participation Rates, 2000 vs. 2023, Selected Asian Economies



AAP = Advanced Asia and the Pacific; AUS = Australia; BAN =Bangladesh; BHU = Bhutan; BRU = Brunei Darussalam; CAM = Cambodia; CCWA = Central and Caucasus and West Asia; PRC = People's Republic of China; DEA = Developing East Asia; DSA = Developing Southeast Asia; DVA = domestic value added, FIJ = Fiji; GVC = global value chain, HKG = Hong Kong, China; IND = India; INO = Indonesia; JPN = Japan; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; KOR = Republic of Korea; LAO = Lao People's Democratic Republic; MAL = Malaysia; MLD = Maldives; MON = Mongolia; NEP = Nepal; PAK = Pakistan; PHI = Philippines; SIN = Singapore; SRI = Sri Lanka; TAP = Taipei,China; THA = Thailand; TUR = Türkiye; VIE = Viet Nam.

Source: ADB calculations using data from ADB. Multiregion Input-Output Tables.

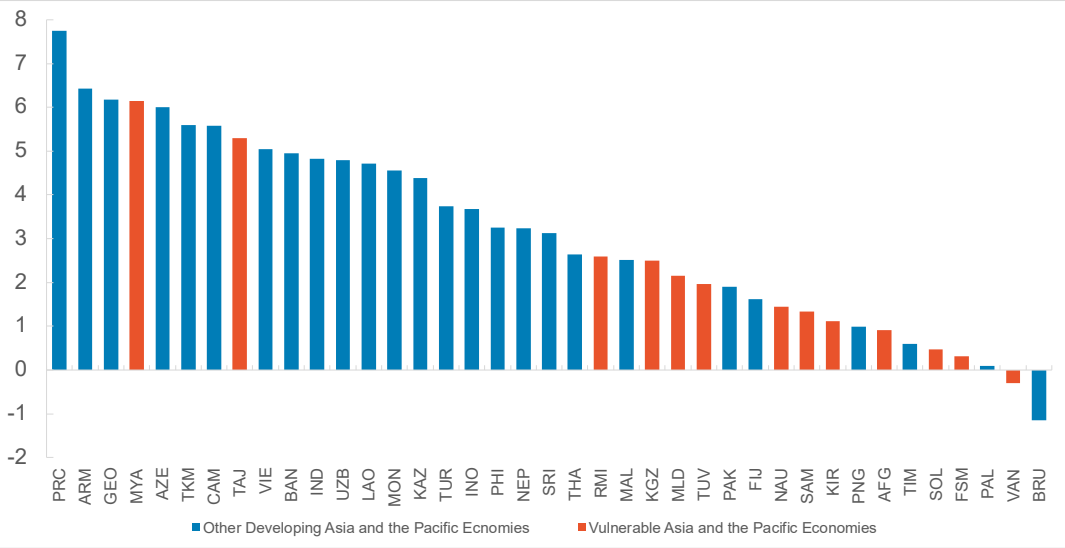
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Growth and inequality developments have been heterogeneous

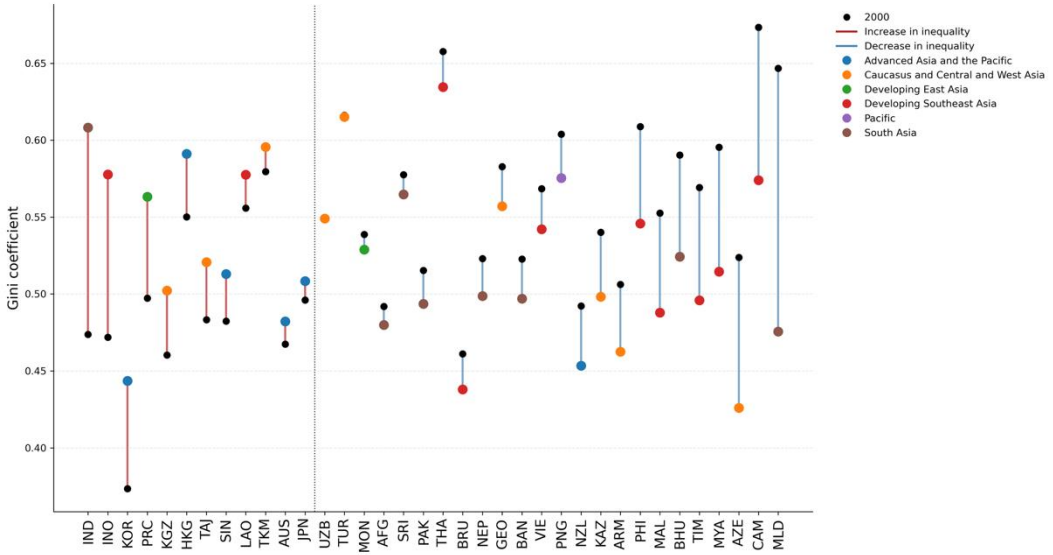
Average annual income growth varied widely across developing Asia and the Pacific over 2000-2023, from 7.7% in the PRC to negative growth rates in Brunei Darussalam and Vanuatu

(a) Annual Average Growth Rate of GDP per capita, 2000–2023 (%)



Most economies experienced declining inequality, though large developing and advanced economies saw increases, suggesting that regional trends are driven by a subset of populous and high-income economies

(b) Change in Gini Coefficient by Economy, 2000–2023



AFG = Afghanistan; ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; PRC = People's Republic of China; FIJ = Fiji; FSM = Federated States of Micronesia; GDP = gross domestic product; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; KIR = Kiribati; LAO = Lao People's Democratic Republic; MAL = Malaysia; MLD = Maldives; MON = Mongolia; MYA = Myanmar; NAU = Nauru; NEP = Nepal; PAK = Pakistan; PAL = Palau; PNG = Papua New Guinea; PHI = Philippines; RMI = Marshall Islands; SAM = Samoa; SRI = Sri Lanka; SOL = Solomon Islands; TAJ = Tajikistan; TIM = Timor-Leste; THA = Thailand; TKM = Turkmenistan; TUR = Türkiye; TUV = Tuvalu; UZB = Uzbekistan; VAN = Vanuatu; VIE = Viet Nam.
Note: Economies highlighted in red are considered the poorest and most vulnerable, and eligible to receive grants through the ADB's Asian Development Fund.

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Global value chains can drive growth, but inclusion is not automatic

GVC participation boosts productivity through specialization, scale, and technology diffusion, enabling firms to access global markets and knowledge

GVC Participation

Gains are unevenly distributed, shaped by skills, firm capabilities, and access—often favoring more productive firms and higher-skilled workers

Growth Channels

Distributional Outcomes

Growth and Productivity Channels

- Market access and scale
- Task specialization
- Technology transfer
- Linkages and learning

Whether GVCs deliver inclusive development depends on the systems that shape entry, upgrading, and access to opportunities

Distribution and domestic conditions

- Job creation (but uneven)
- Skill-biased upgrading
- Firm concentration
- Regional disparities

GVC = global value chain.

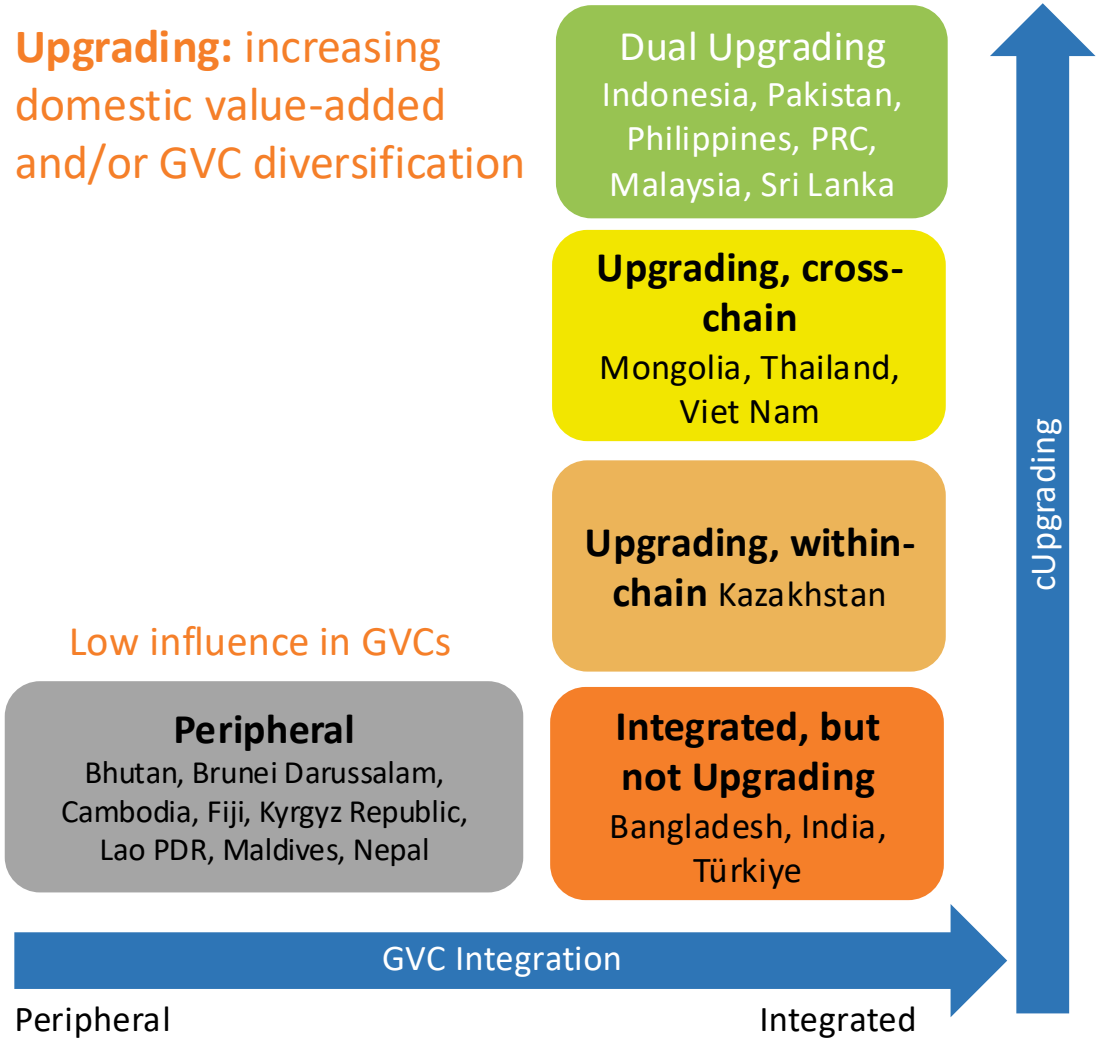
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Upgrading economies achieve higher growth than non-upgraders and peripheral economies

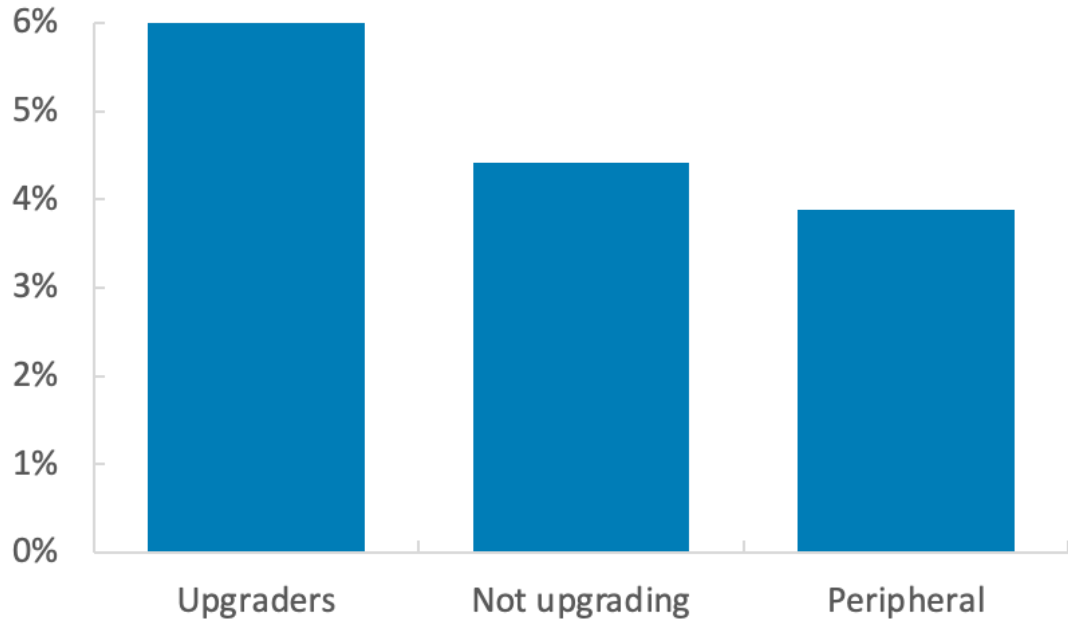
Upgrading: increasing domestic value-added and/or GVC diversification



PRC = People's Republic of China. GVC = global value chain, Lao PDR = Lao People's Democratic Republic.
Source: ADB.

Economies that have upgraded within GVCs have grown faster than those that have not upgraded and those that remain on the periphery of GVCs

GDP per capita Growth Differences among GVC Integration Types (%, 2000-2023)



Source: ADB calculations using data from ADB. Multiregion Input-Output Tables and World Bank. World Development Indicators.

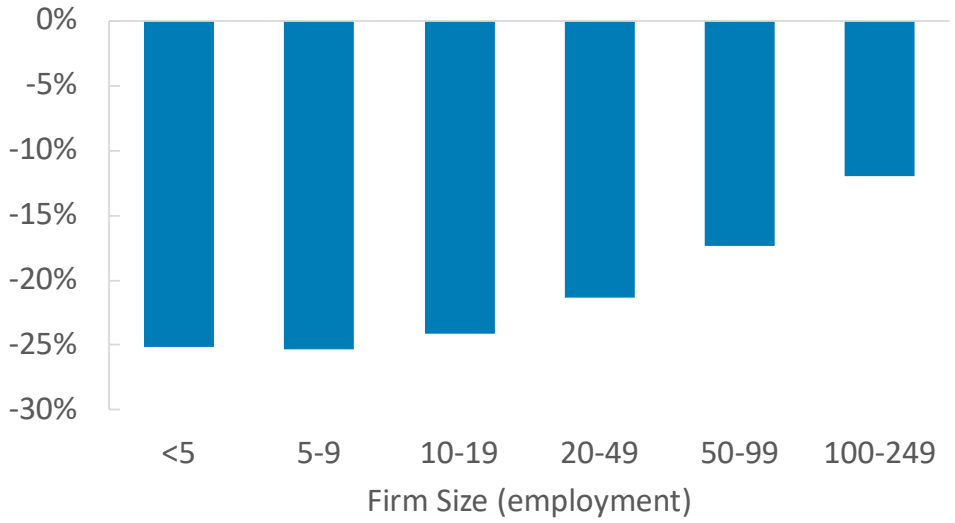
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While GVC participation shows no strong relationship with aggregate inequality, not all groups can enter and capture the benefits from GVCs

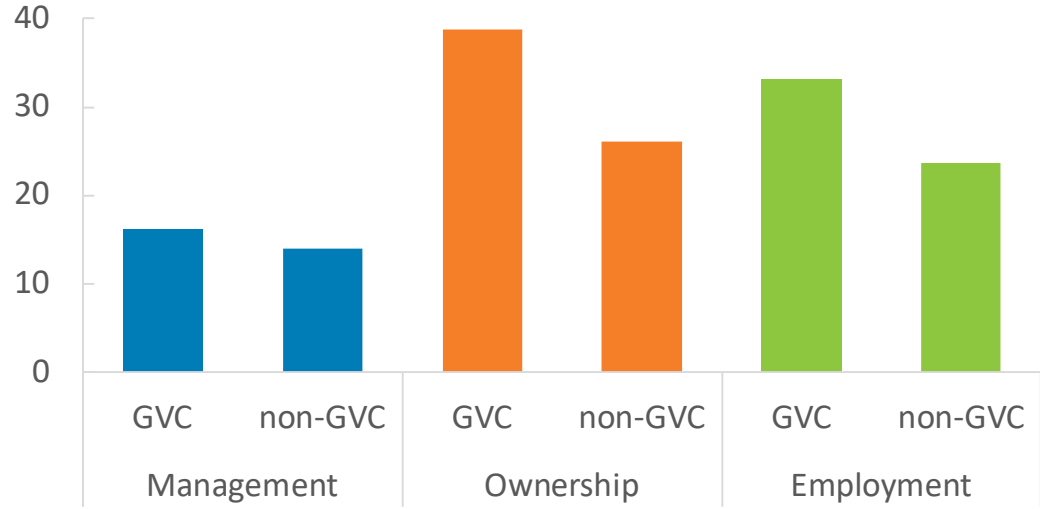
Small firms in Developing Asia and the Pacific are 25% less likely to be in GVCs than the largest firms

(a) Probability of Being in GVCs Relative to Large Firms (%)



GVC firms show higher women participation in management, ownership, and employment, though evidence shows that women remain concentrated in lower-tech activities

(b) Participation of Women in GVC and non-GVC Firms, Developing Asia and the Pacific (%, women employment share)



GVC = global value chain.
Note: The figure reports estimated marginal effects of firm size on the probability of being a GVC firm. Marginal effects are relative to the highest firm size category (>250) and all are statistically significant (at the 5% level). Regressions control for labor productivity, foreign ownership, government ownership, firm age, the share of skilled worker, whether the firm has a certification, year, country, and sector fixed effects. Data are from the World Bank Enterprise Surveys and use all surveys for Asian economies over 2012-2024.
Source: Foster-McGregor and Nilsson Hakkala (2026).

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The environment in which GVCs operate is evolving, reshaping incentives, raising uncertainty, and the costs for participation

Geopolitical Fragmentation

Drivers: Intensified rivalry, export controls, sanctions
Impacts: Increased uncertainty
Opportunity: Regional diversification

Environmental Standards

Drivers: Carbon adjustments, reporting
Impacts: Compliance costs, SME barriers
Opportunity: Preferential access for capable firms

Digitalization & Data Governance

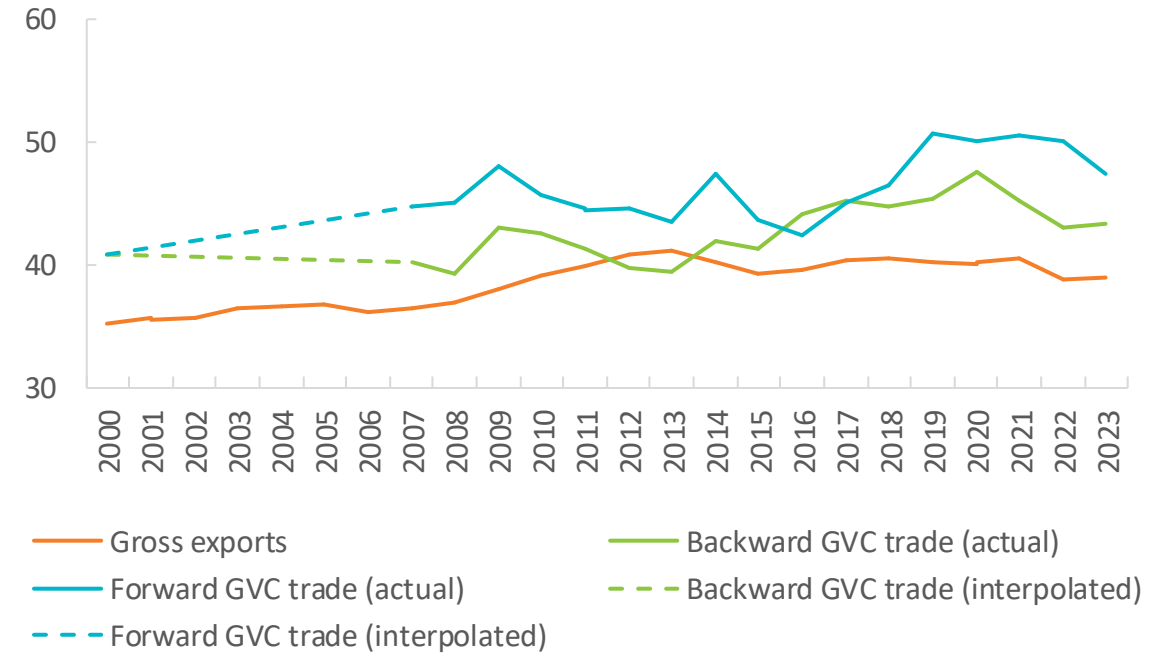
Drivers: Data flows, platforms
Impacts: Infrastructure barriers, Fragmented rules
Opportunity: Digital tools enabler SME participation

Industrial Policy

Drivers: Subsidies, local content, R&D/skills
Impacts: Shapes GVC upgrading paths
Opportunity: Can foster resilience & upgrading

Increased intraregional trade has been a response to rising fragmentation and uncertainty in recent years

Share of Intraregional GVC Trade and Traditional Trade—Asia and the Pacific (%)



GVC = global value chain.
Source: ADB calculations using data from ADB. ADB Multiregion Input-Output tables and BACI dataset.

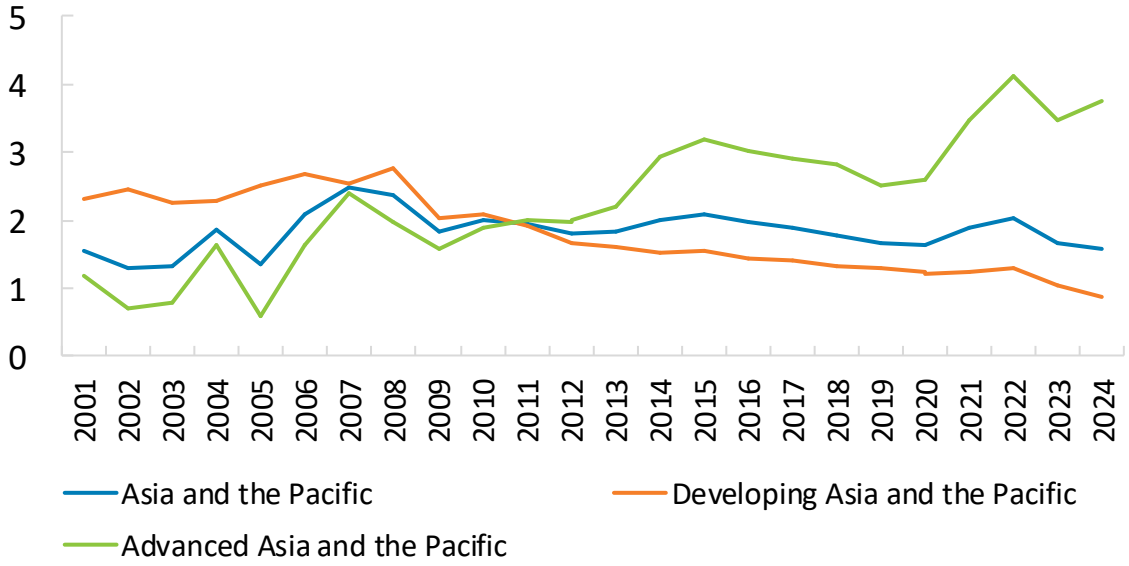
PRC = People's Republic of China, GVC = global value chain, R&D = research and development, SME = small and medium enterprises.
Source: ADB.

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Evolving FDI patterns are narrowing GVC and job opportunities

FDI inflows—a key channel for GVC integration—have declined relative to GDP in developing Asia and the Pacific, potentially limiting opportunities in value chains.

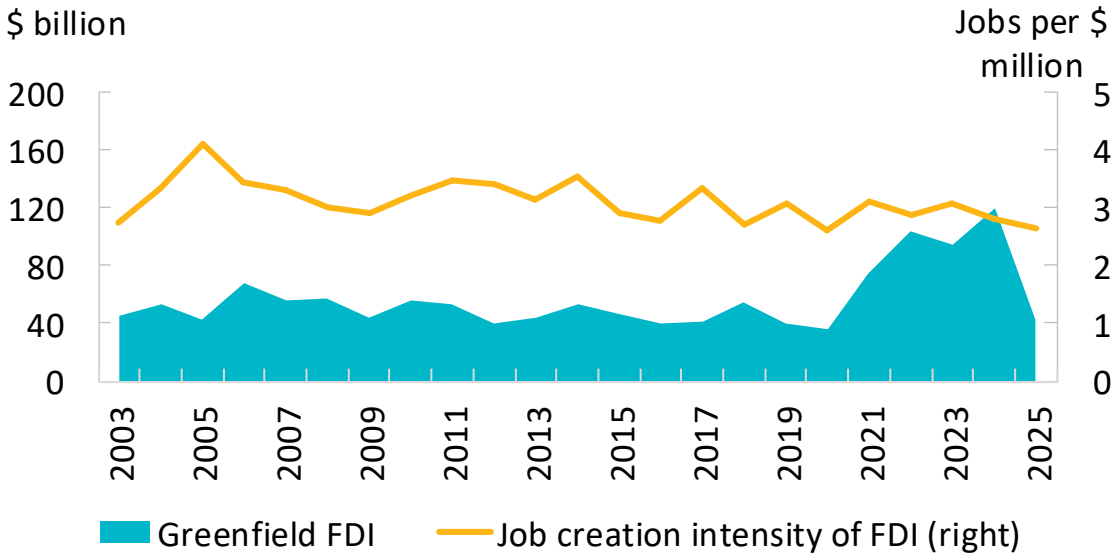
FDI Inflows—Asia and the Pacific (% GDP)



FDI = foreign direct investment, GDP = gross domestic product.
Sources: ADB calculations using data from International Monetary Fund. World Economic Outlook Database, April 2025. and UN Trade and Development. World Investment Report 2025 Statistical Annex Tables.

Digital greenfield FDI has risen in region, while jobs generated per million dollars invested have fallen, suggesting a structural shift towards lower employment-intensive investment.

Greenfield FDI and Job Creation Intensity of FDI in the Digital Economy—Asia and the Pacific



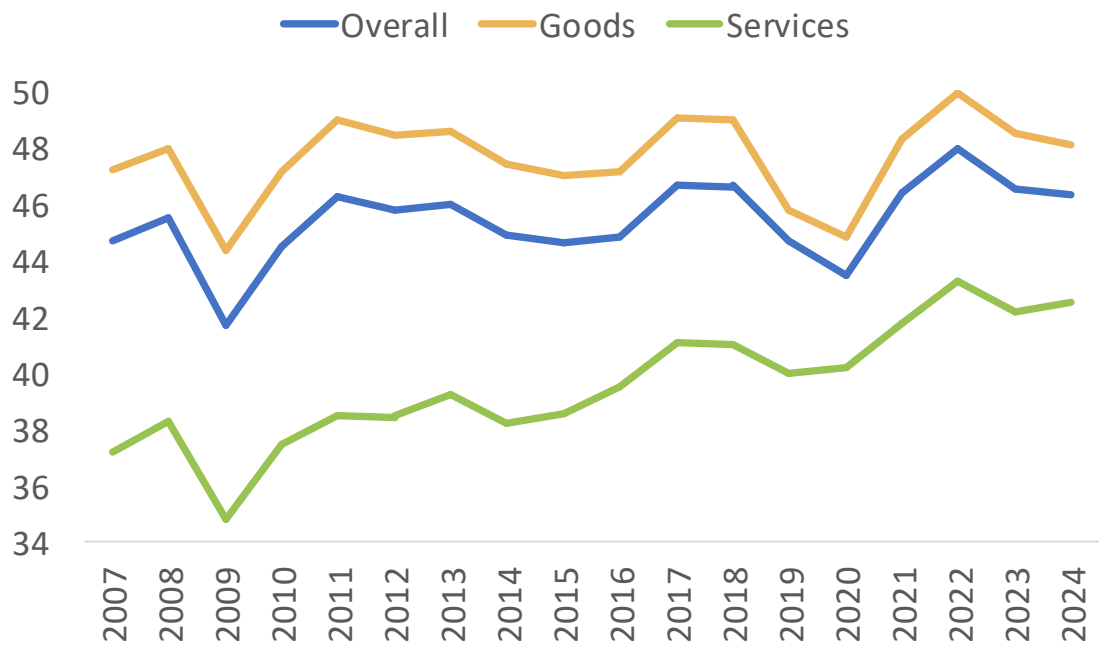
FDI = foreign direct investment.
Source: ADB calculations using data from Financial Times. fDi Markets.

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GVC are reconfiguring, narrowing traditional pathways while creating new opportunities

Services are increasingly traded and embedded in manufacturing GVCs, raising skill and capability thresholds while opening new avenues for upgrading

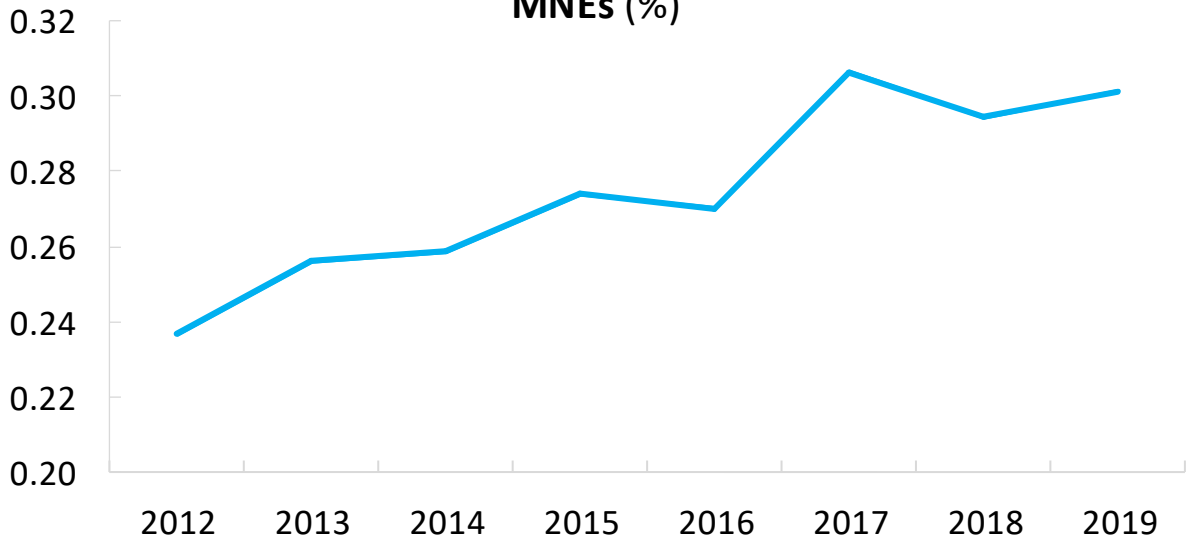
GVC Participation Rates of Goods and Services (%)



GVC = global value chain.
Source: ADB calculations using data from ADB. Multiregion Input-Output Tables.

GVCs are increasingly driven by intangible assets, with these more concentrated outside of Asia, raising concerns about the region's role in evolving GVCs

Difference in Intangible Assets between non-Asian and Asian MNEs (%)



MNE = multinational enterprise.
Note: The line trend represents the difference in the share of intangible-to-total assets of non-Asian and Asian MNEs investing in Asia. Values expressed in percentage points (3-year moving average).
Source: Multinational Revenue, Employment and Investment Database.

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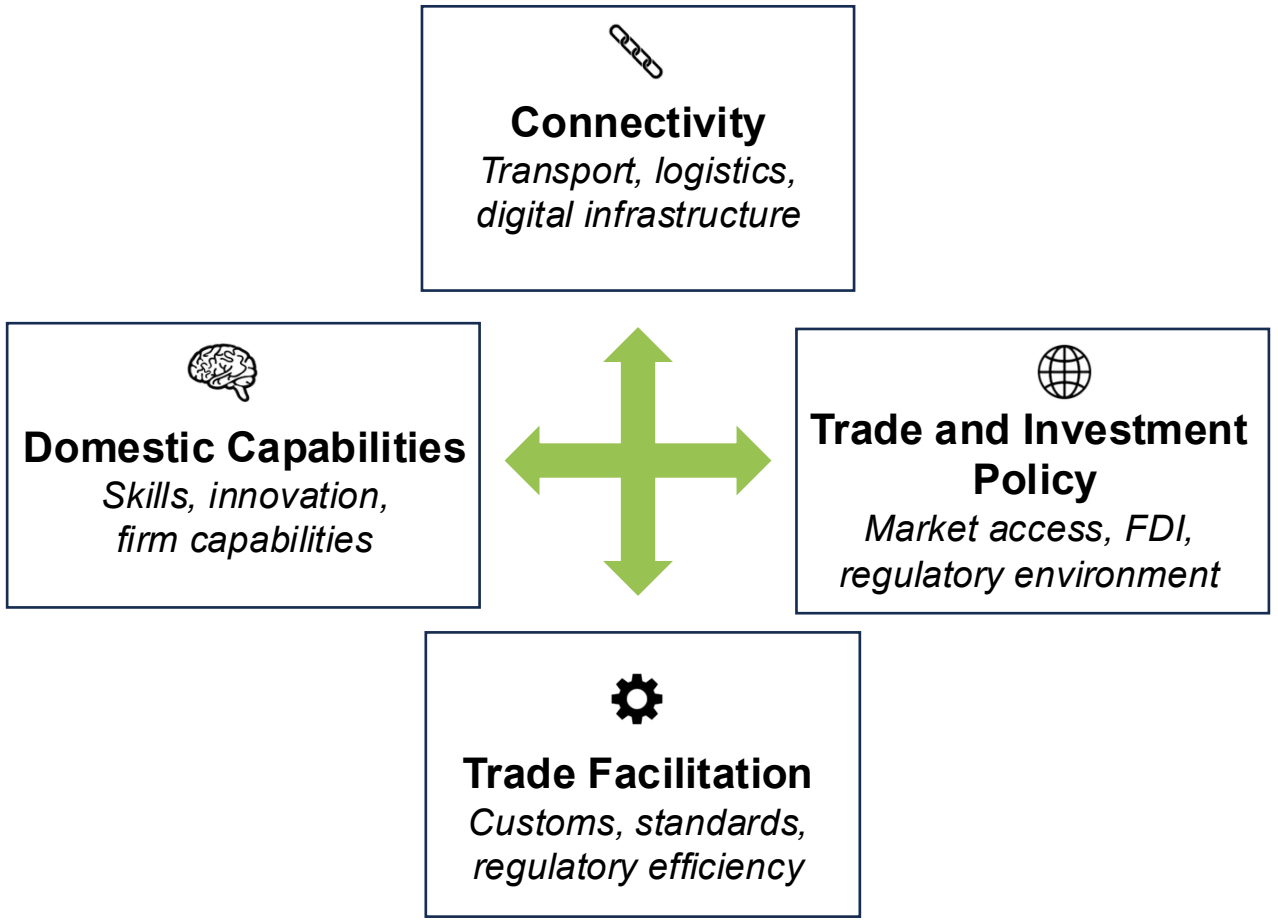
Realizing inclusive GVC gains requires coordinated policy

GVC success depends on entry, upgrading, and inclusion—each shaped by different but interconnected constraints

Entry	- Trade costs - Logistics - Investment linkages
Upgrading	- Skills and innovation - Standards and services - Technology adoption
Inclusion	- SME access - Gender gaps - Skill-biased gains

Addressing one dimension alone is not enough—binding constraints span multiple, interdependent systems

(b) Policy Measures for Inclusive Growth through GVCs



FDI = foreign direct investment, GVC = global value chain, SME = small and medium enterprises
Source: ADB.

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Economies at different stages of GVC integration require differentiated policy responses

Peripheral

Examples
Cambodia, Fiji

Policy Priority
Connect and enable participation

- Reduce trade and logistics costs
- Improve border and digital connectivity
- Build basic firm capabilities
- Facilitate entry and investment

Inclusion Priority
Enable entry and broader participation for SMEs, workers, and remote regions

Integrated into GVCs, but limited upgrading

Examples
Bangladesh, India

Policy Priority
Upgrade and diversify

- Strengthen firm capabilities
- Skills training and innovation ecosystem
- Upgrade standards and compliance systems
- Expand services sector efficiency

Inclusion Priority
Support mobility from low- to high-value activities (relevant for SMEs and workers)

Integrated into GVCs, with upgrading into complex, higher value segments

Examples
PRC, Malaysia

Policy Priority
Sustain competitiveness and shape GVCs

- Foster innovation and advanced skills
- Shape regulation (data, platforms, standards)
- Manage sustainability and compliance
- Build resilience to shocks and fragmentation

Inclusion Priority
Broaden the distribution gains across worker skill types while sustaining high-value participation

PRC = People's Republic of China, GVC = global value chains, SME = small and medium enterprises.
Source: ADB.

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Key Messages

- GVCs have been central to Asia and the Pacific's development success, enhancing growth and reducing poverty
- Participation alone does not guarantee broad-based gains:
  - Some economies have remained peripheral in GVCs
  - Smaller firms, low-skilled workers, and women have not always benefited from GVC integration
- Upgrading, value capture, and inclusion matter for maximizing the gains from GVC integration
- Emerging challenges are reconfiguring and narrowing traditional GVC pathways
  - Competitiveness in GVCs is increasingly defined by resilience, sustainability, and capabilities
  - Realizing inclusive GVC gains requires coordinated system-level policies, tailored to economies' positions within GVCs

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Thank you!

