Asian Think Tank Network Forum 2026 | High-Level Session III

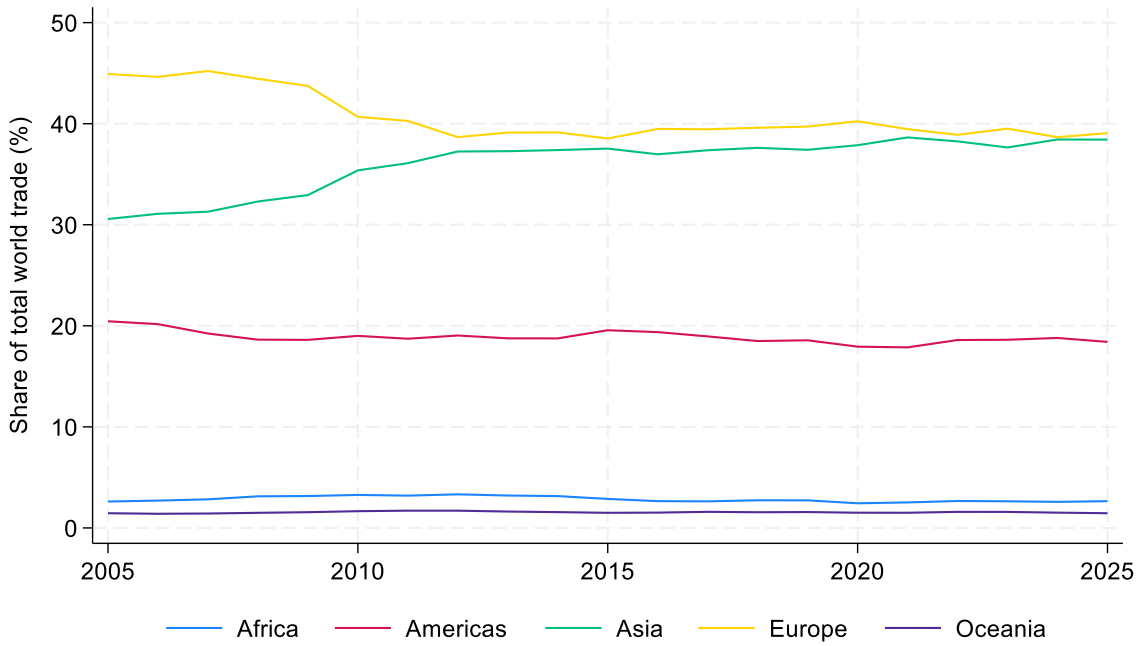
Trade and Quality Growth in Asia

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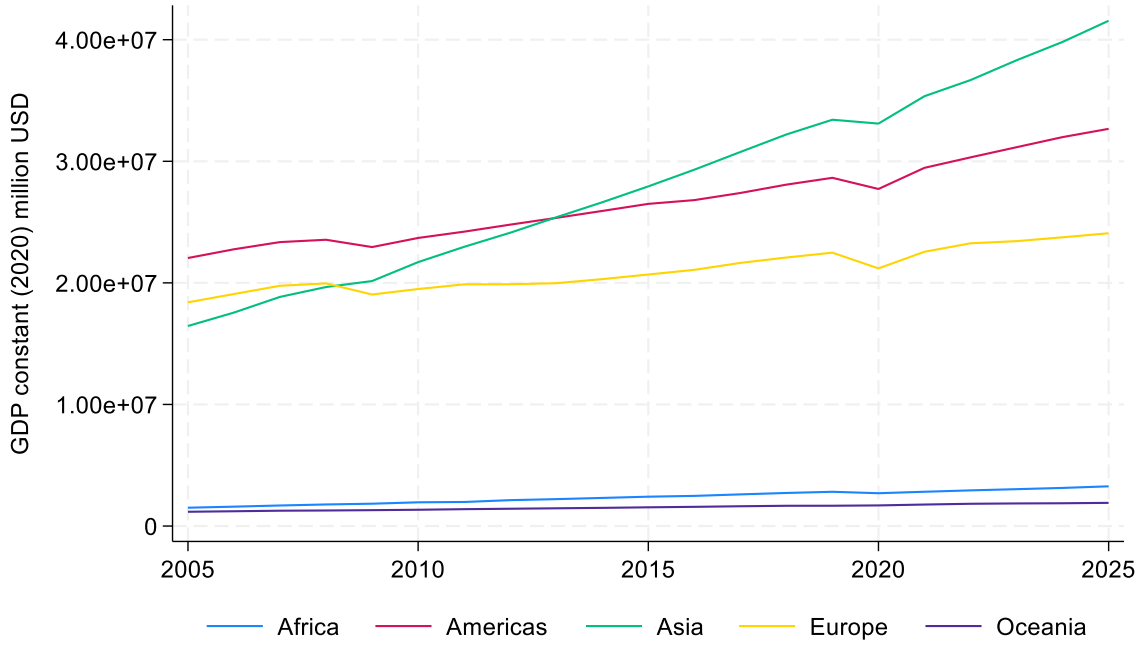
Trade and Asia's Growth

Asia's rise has historically gone hand in hand with deeper integration into global trade. Regional trade integration initiatives such as RCEP, AFTA, and GMS have been central to this rise.

Share of Asia's trade over the last twenty years



GDP (at constant prices) over the last twenty years

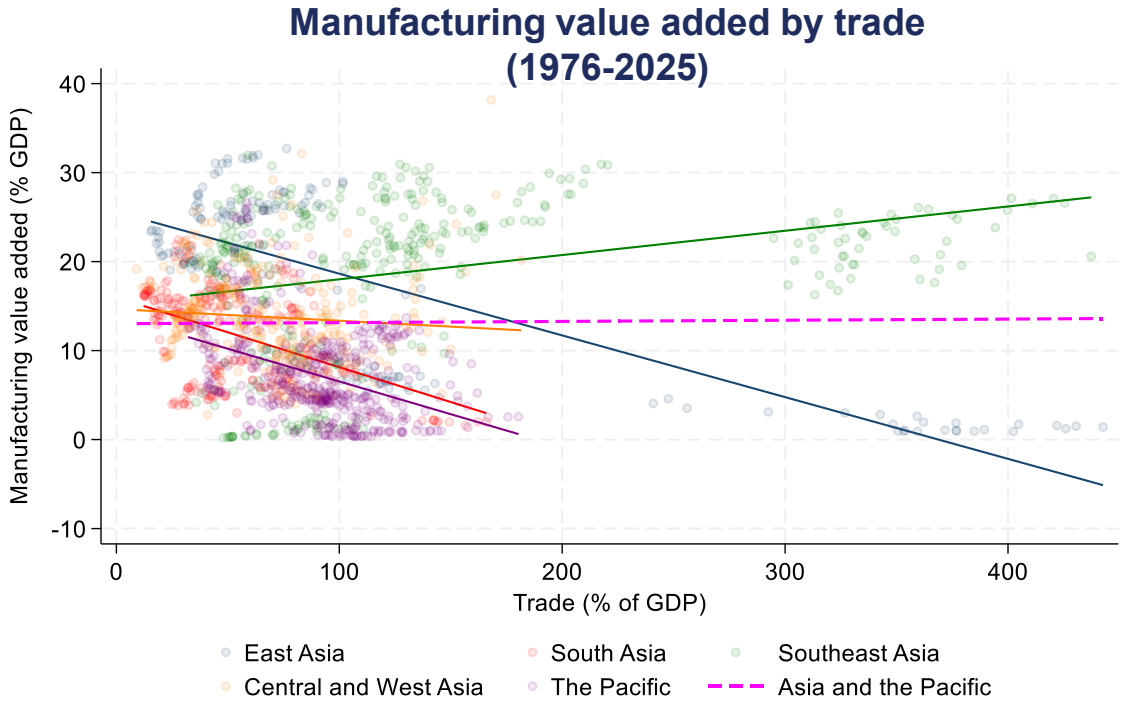


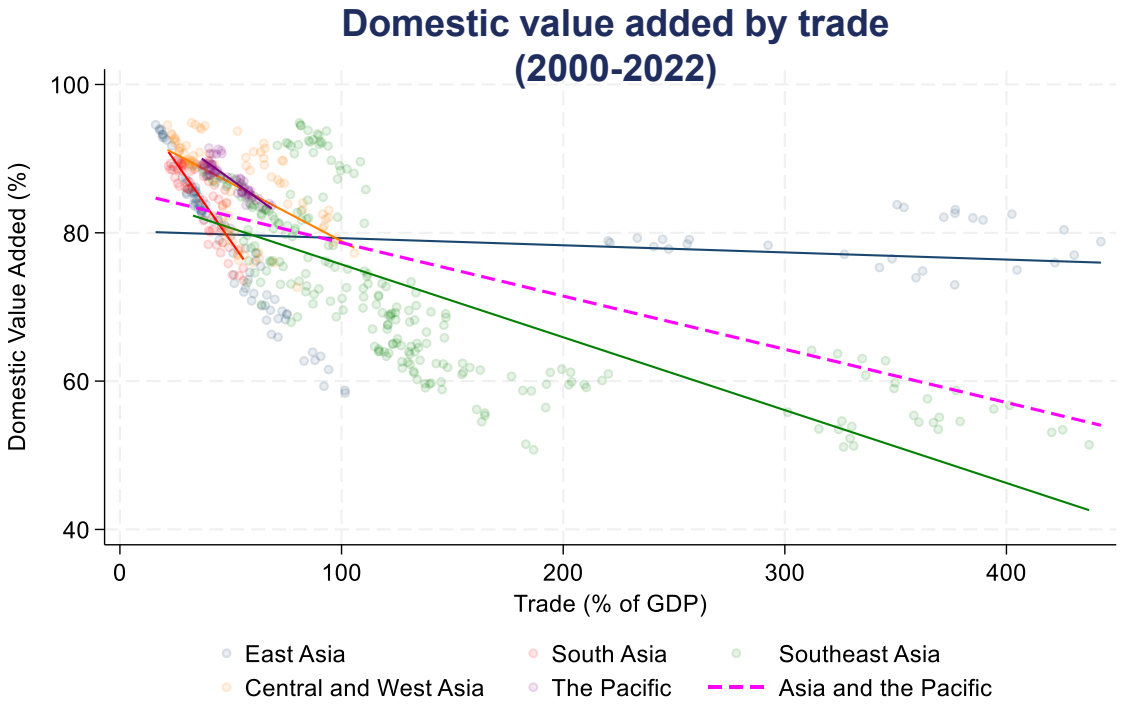
Asia's growing economic weight has been matched by deeper trade integration and a rising share of global trade.

Note: Trade includes the import and export of goods and services. GDP is measured in real terms at constant 2020 prices.
Source: Author's calculation from UNCTADstat Data centre

Trade Growth Does Not Equal Value Capture

Trade is associated with manufacturing value-added gains but relies more on imported inputs rather than local production materials.



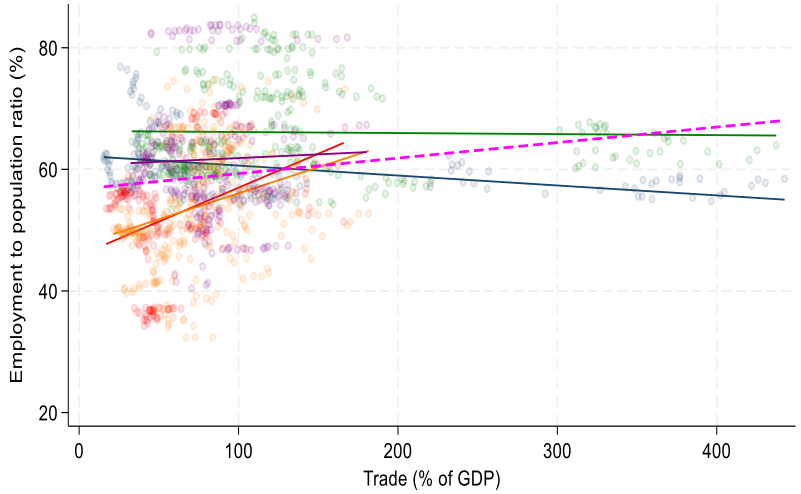


Note: Data in the left graph are pooled from all ADB regional member countries from 1976-2025; data in the right graph are pooled from available ADB regional member countries from 2000-2022
Source (from left to right): Author's calculation using data from WDI and the OECD

Higher trade is associated with greater employment gains, but also higher inequality and GHG emissions, with substantial disparities across Asia.

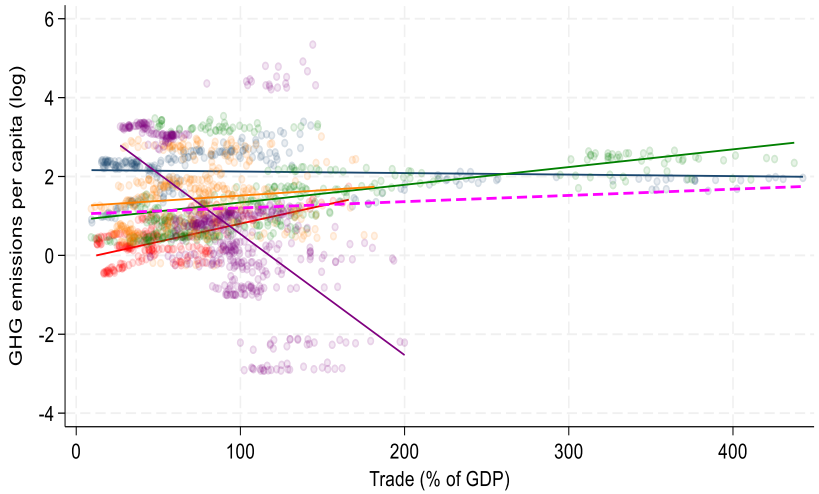
Trade and employment

Employment gains from trade are positive but uneven across regions



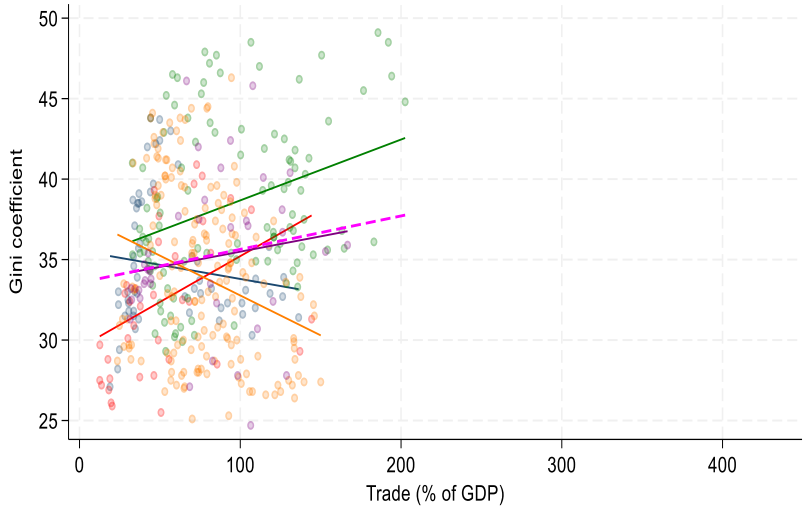
Trade and GHG emissions

But GHG emissions have risen



Trade and inequality

And inequality rises fastest where trade is growing in Southeast Asia



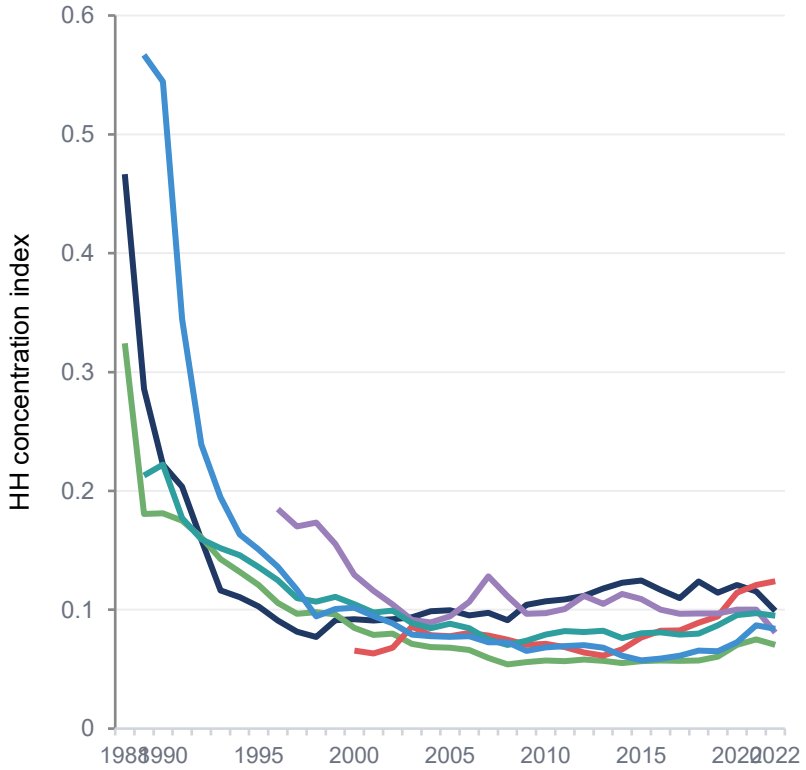
East Asia
South Asia
Southeast Asia
Central and West Asia
The Pacific
Asia and the Pacific

Note: Data are pooled from all ADB regional member countries from 1976-2025. Trade is the sum of exports and imports of goods and services. Regional groupings follow the ADB regional classification.
Source: Author's calculation using data from WDI

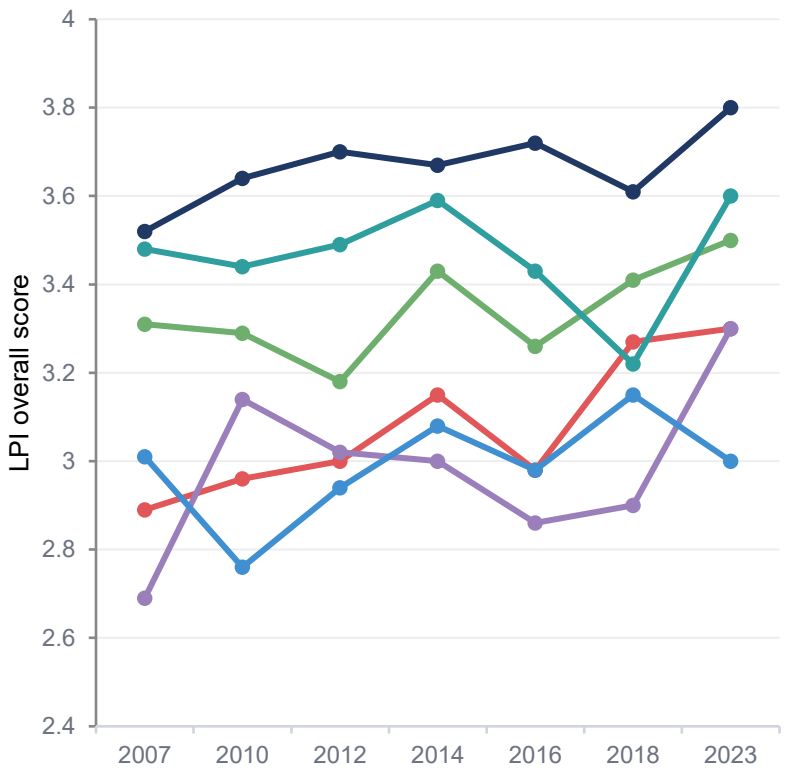
Trade and Resilience

Trade has grown more diversified and value-added, and logistics performance has improved across most economies, but the pace and level of resilience gains vary widely across the region.

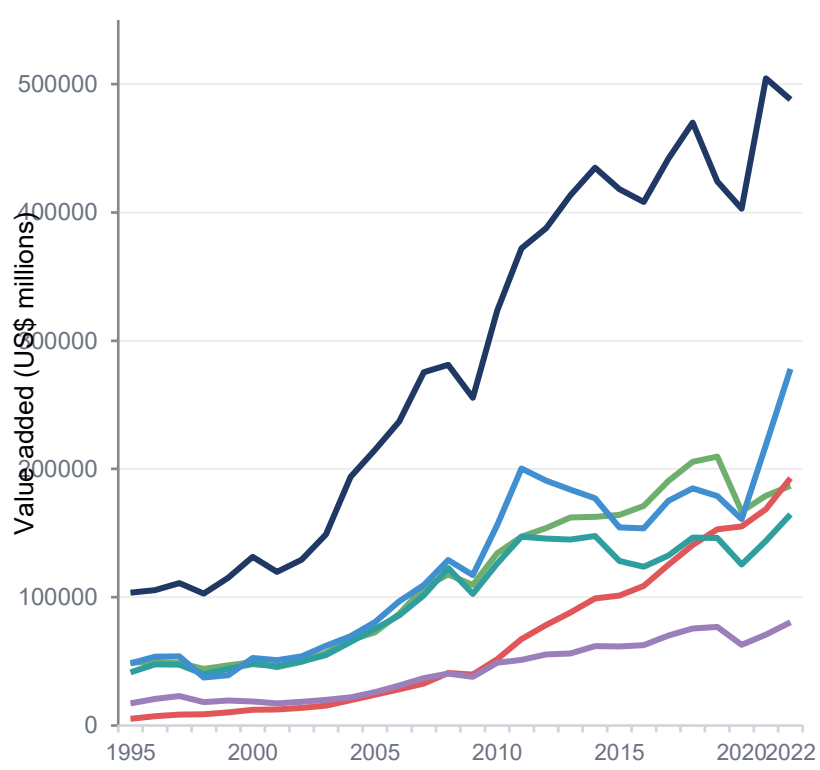
HH Market Concentration Index



Logistics Performance Index (LPI)



Trade in Value Added (TiVA)





Source (from left to right): WITS Country Profile, HH Market Concentration Index, 1988-2022; World Bank, Logistics Performance Index (LPI), Overall Score, 2007-2023; OECD, Trade in Value Added (TiVA) 2025 edition, Principal Indicators, 1995-2022.

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The Next Stage Requires Quality Growth

- Asia's export-led manufacturing model has delivered strong growth, but is no longer sufficient to reach high-income status.
- Only a few Asian economies have successfully graduated to high-income status, with slowing total factor productivity growth a major contributing factor.
- The next stage of growth requires a shift toward "**Quality Growth**," with greater focus on productivity, better jobs, sustainability, and resilience.

What is quality growth?

Quality growth shifts away from measuring economic success purely by quantitative expansion towards a model that prioritizes growth that is:

Productive	Employment generating
GDP growth that is driven by genuine increases in productivity and that reflects technological upgrading, innovation and movement up the value chain.	Growth that creates better jobs, reduces inequality and is inclusive by ensuring that the gains reach workers across income levels.

Sustainable	Resilient
Growth that does not deplete resources or accumulate environmental debt for future generations, while balancing economic expansion with green transition.	Growth that can absorb and recover from shocks and is built on diversified productive structures through strong domestic capabilities, institutions and policies.

Source: Hirota, K. (Ed.). (2026). Introduction to Quality Growth; ADBI 2026

Can GVCs still deliver what the region needs?

As Asia has deepened its integration into global value chains, has it also deepened the domestic benefit it captures?

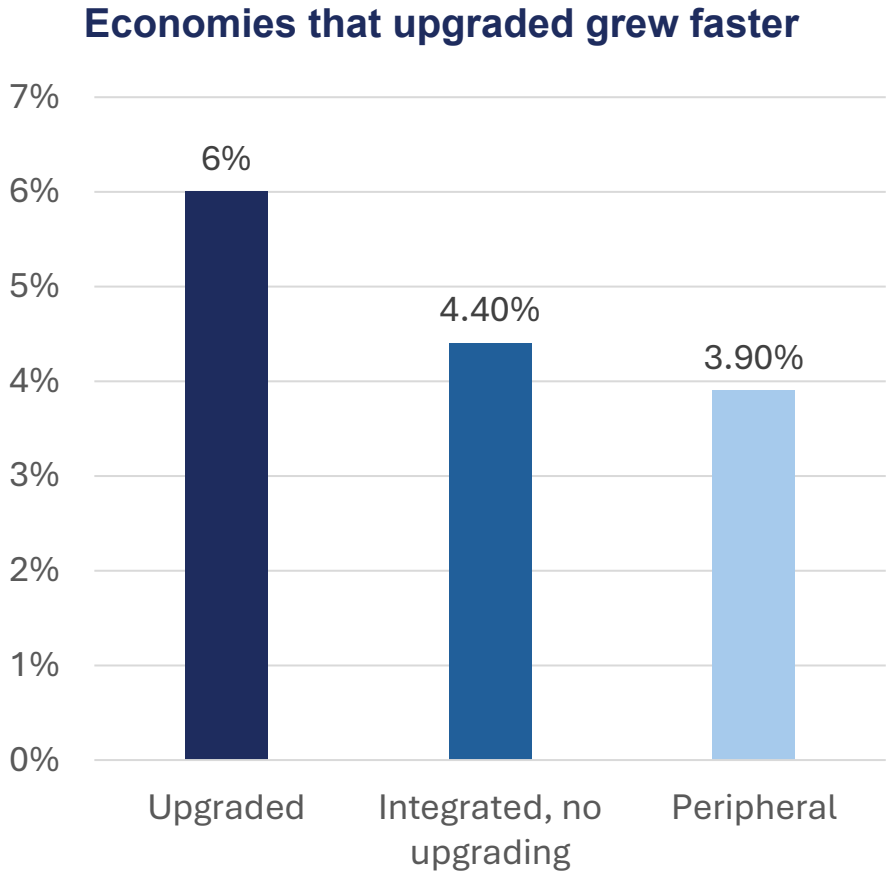
Rethinking Global Value Chains

GVC participation is necessary but no longer sufficient

Challenges
GVCs face structural friction from rising geopolitical tensions, trade uncertainty and supply chain retrenchment that traditionally powered Asia's growth.

Comparative advantage trap
Economies that specialize solely in low-skill assembly risk locking in a slow-growing comparative advantage trap, capturing less domestic value even as export volumes rise.

Evidence and need for upgrade
Firms must upgrade to more frontier, higher-productivity activities that involve greater skill, knowledge, and coordination.



The question is no longer whether to participate in GVCs, but rather how to participate in a way that builds domestic capability and captures more value at home.

Source: UK Trade and Policy Observatory; Tafese, T., Lay, J., and Tran, V. (2023); Table: ADB (2026). Global Value Chains and Inclusive Development

Policy Shifts Needed: Participation → Upgrading → Frontier

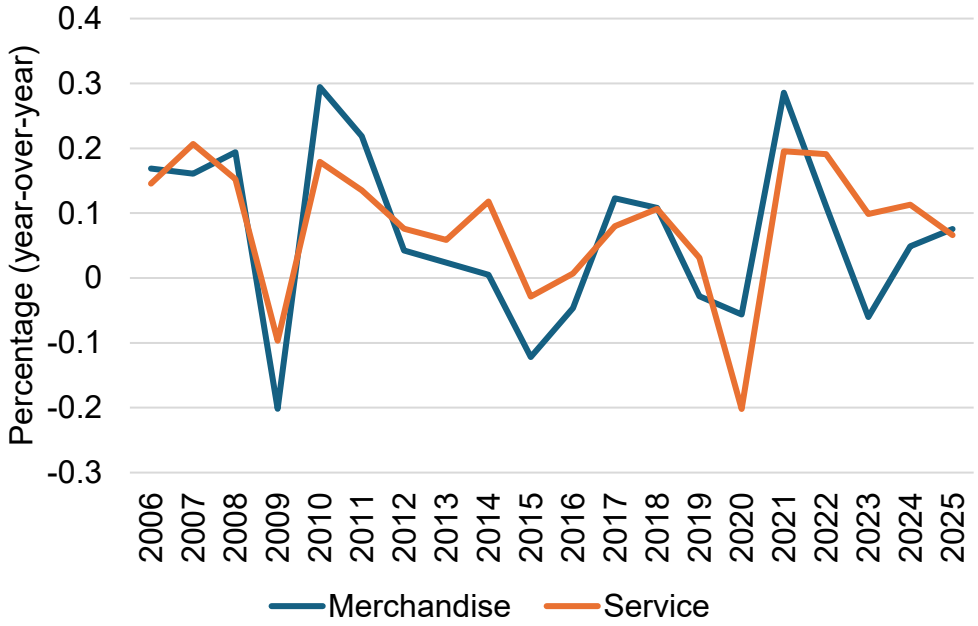
As GVC integration deepens, policy shifts from enabling participation → building capabilities → sustaining innovation and inclusive competitiveness.

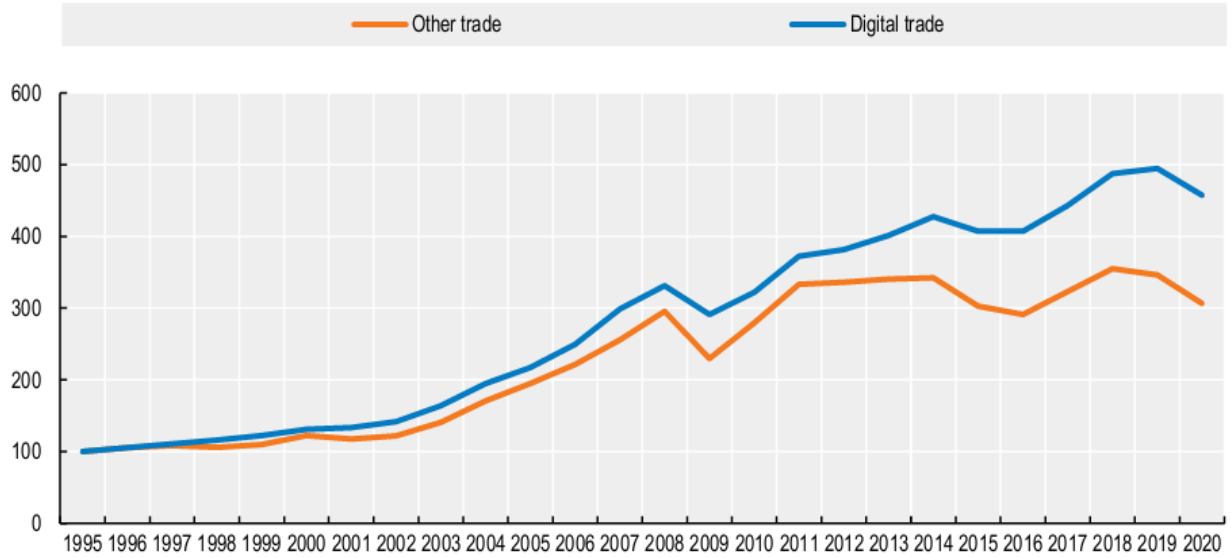
Early stage	Upgrading with GVCs	Competing at the frontier
Enable participation	**Build productive capabilities**	**Sustain competitiveness**
• Transport, logistics, and digital infrastructure • Trade facilitation and sound regulation • Basic skills development, formalization, and access to finance • Regional connectivity and market access	• Technical and digital skills • Firm capabilities, quality and standards • Technology adoption and trade finance • Domestic-MNE linkages and targeted industrial policy	• R&D and advanced skills • Digital trade, data and IP • Services and standard-setting • Inclusion, workforce transition and resilience

Enabling conditions required across all stages:

Financial depth · Supply chain spillovers · Human capital · Administrative capacity · Infrastructure · Factor market flexibility

Services trade growth in Asia has broadly tracked merchandise trade, edging ahead of it since 2023





Services trade has seen higher growth compared to merchandise in recent years

Note: Data are pooled from all ADB member countries from 2006-2025

Digital trade has outpaced other trade since 2011 and accounts for 25% of global trade in 2020.

Note: Changes in exports relative to 1995 (1995=100).

*Note: data from the first graph on the left are pooled from **all ADB regional member countries** from 2006-2025; data from second graph on the right shows changes in exports relative to 1995 (1995=100)*

Source (from left to right): Author's calculation using data from UNCTAD; OECD (2023). Key issues in Digital Trade

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Digital Trade for Quality Growth

Productivity and Macro Resilience	MSME and Rural Empowerment	Digital Public Infrastructure and Fintech	Priority Policy Reforms
GDP growth *Every 1% increase in digital adoption raises GDP per capita by 0.8% in ASEAN* **High-value shift** *Financial services are 4x more productive than traditional manufacturing* **Shock resilience** *Digitally deliverable exports grew 21% annually (2005-2019) and remained resilient through economic disruptions*	**Global Access** *Enables MSMEs (which represent 97% of regional firms) to integrate into global supply chains* **Rural transformation** *China's Taobao Villages generated over RMB 1T in sales, moving farmers to higher-value sectors* **E-commerce Growth** *Kazakhstan achieved a 50% rise in cross-border orders via e-commerce initiatives*	**Financial Inclusion** *Digital finance platforms such as MBank now reach 80% of adults in the Kyrgyz Republic* **Credit Access** *Digital payment rails generate transaction histories, helping small firms secure credit* **Cross-border linking** *Interoperable QR networks lower remittance costs*	**Trade harmonization** *Agreements like the ASEAN DEFA streamline paperless trade, interoperable e-invoicing and customs procedures* **Closing digital divides** *Expand broadband infrastructure to reach the regions that are still offline* **Trust and Safety** *Align cross-border data flows, consumer protection laws, and cybersecurity*

Digital trade drives quality growth by transitioning developing Asia toward high-productivity services, empowering MSMEs through inclusive fintech, and reducing cross-border trade friction

Source: ADB Brief No. 399 (Basu Das et al., 2026); ADBI Podcast (Irvine & Shirai) ; UNCTAD Policy Brief No. 92

Key takeaways

1. **Trade has been a key driver** of Asia's transition from low- to middle-income economies.
2. However, **trade growth does not equal value capture.**
3. The next stage requires more than expanding trade volumes: economies need to move toward more **productive, job-rich, sustainable, and resilient growth**.
4. GVC participation remains valuable, but **upgrading is essential** to capture greater value from trade.
5. Capturing the gains from trade requires economies to adapt policies depending on their stages of integration.
6. **Services and digital trade** offer new opportunities to diversify growth and move into higher-value activities.

Looking ahead
(Questions for Discussion with Panelists)

1. What forces are reshaping global trade, and what lessons from Asia's transformation still apply?

2. Is industrial policy still fit for purpose for trade, productivity, and quality growth in Asia?

3. Should ASEAN deepen intra-regional trade, and what would make integration deliver beyond tariffs?

4. How can digitalization and cross-border services spread the gains from trade more widely?

Thank you!