

## Foreword

The *Global Value Chain Development Report 2023: Resilient and Sustainable GVCs in Turbulent Times*, the fourth in this biennial series, is released at a critical juncture in the evolution of Global Value Chains (GVCs). It first provides an update on trends in GVCs highlighting that international production networks remain a central part of globalization despite mounting pressures. The report then turns to its main theme which is informed by the fact that the intricate networks of international flows of goods, services, capital, and technology are currently facing exceptional challenges arising from geopolitical complexities and the impacts of climate change in the Post-COVID era.

Recent pandemic-related disruptions have revealed long-standing vulnerabilities in GVCs, especially those associated with over-concentration and over-dependence on a single economy or region for the supply of critical products — a circumstance exacerbated by recent geopolitical tensions. However, the current structure of GVCs is complex and has led to significant benefits for firms and consumers globally. It minimizes costs and maximizes scale economies since it allows economies to specialize in finely defined tasks, hyper-exploiting the concept of comparative advantage.

This makes reconfigurations costly and challenging. Importantly, it also leads to significant interdependencies that limit the scope for the weaponization of trade. For example, the global semiconductor value chain is a highly efficient and innovative network resulting from the delicate division of labor and specialization, where no single economy can competitively maintain a complete semiconductor supply chain on its own. Hence, self-sufficiency, de-coupling and de-globalization are far from being viable options for enhancing the resilience of semiconductor GVCs in the long term.

In parallel, the urgency of making GVCs greener has increased sharply with accelerating climate change. At present, more than 130 economies and regions have announced their carbon neutrality targets. A global consensus has emerged on the need to address climate change and promote green development. This trend has a great impact on the direction and pattern of GVCs through both institutional and technological innovation and collaboration. The report provides a comprehensive carbon emission accounting framework that allows tracing emissions through GVCs before proposing a conceptual framework that can help business and policymakers in their efforts to green GVCs.

Resilience and sustainability cannot be achieved without inclusiveness. Since the impacts of shocks tend to be unevenly distributed within economies, it is important that all parts of society are able to recover quickly for the economy as

a whole to be resilient. Integrating into GVCs leads to substantial benefits for workers and firms in developing economies, but the gains from integration are not always fairly distributed. To ensure that GVCs support inclusive development, barriers to integration must continue to be lowered and measures must be put in place that prevent firms from exploiting their market power at the expense of small suppliers.

The *GVC Development Report 2023* examines all these developments and highlights how GVCs are critical factors in the megatrends shaping today's global economy. It is a joint effort of four institutions: the Research Institute for Global Value Chains at the University of International Business and Economics, the Asian Development Bank, the Institute of Developing Economies - Japan External Trade Organization, and the World Trade Organization. As the Asian Development Bank did in the previous report, the Research Institute for Global Value Chains at the University of International Business and Economics has taken the lead this time. The report benefits from extensive collaboration among GVC researchers worldwide. Over 60 authors from more than 30 research institutions in 20 economies contributed 37 background papers that form the basis for this report. We look forward to expanding this research joint venture by including more partner institutions in the future.

We hope that the *Global Value Chain Development Report 2023* will contribute to a deeper understanding of the recent development of GVCs and help build consensus to maintain an open, sustainable, and resilient global trading system in the service of human well-being.



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