

Foreword

The Global Value Chain Development Report 2025: The Re-wiring of GVCs in a Changing Global Economy comes at a pivotal moment for the world economy. Over the past decade, international production networks have been tested by the COVID-19 pandemic, intensifying geopolitical frictions, financial uncertainty, and accelerating climate challenges. These overlapping shocks have sparked debates about deglobalization and reshoring. Yet the evidence is clear: global value chains (GVCs) remain resilient and indispensable to the functioning of the world economy. The latest data shows that GVCs are indeed under strain, but that they still account for 46.3% of global trade, not far from the 2022 peak of 48%. Rather than unraveling, GVCs are adapting – becoming more digital, more regional, and increasingly shaped by security concerns with potentially important implications for sustainability and inclusiveness.

This year's report points to the emergence of a new phase in globalization. Referred to by the World Trade Organization as reglobalization, this phase sees firms and governments not retreating from global integration but rather reconfiguring it to meet new economic, political, and social priorities. The report examines what this change implies for the evolution of GVCs. It finds a major reconfiguration of both the physical structure and institutional architecture that govern international production. This re-wiring of GVCs operates simultaneously across multiple dimensions – geographic repositioning through regionalization and nearshoring, technological transformation through digitalization and automation, governance innovation through new industrial policies and new forms of targeted trade agreements, and environmental restructuring through green investment and carbon pricing mechanisms.

Across Latin America and Africa, the report's GVC readiness diagnostics underscore both challenges and opportunities. Digital infrastructure gaps, institutional bottlenecks, limited formal integration agreements, and continuing trade logistics constraints continue to hold back deeper integration. At the same time, green investment, supply chain diversification, and nearshoring offer fresh possibilities that especially Latin America is acting upon by striking a growing number of sector-specific arrangements, many of which are regulation-focused and non-binding. In the electric vehicle sector, economies are leveraging policy to reposition themselves in value chains. The People's Republic of China has emerged as a leader spanning inputs, assembly, and recycling, while African producers are seeking greater value retention from mineral processing.

The report also deepens our understanding of the complex interplay between GVCs, climate, and sustainability. Our analysis traces embodied carbon emissions across borders and evaluates the implications of emission trading schemes, carbon border adjustment mechanisms, green innovation, and new financing instruments. It shows

that achieving climate goals while preserving development opportunities requires more market-oriented and incentive-based green policy instruments, complemented by greater transparency, effective international cooperation and active technology transfer across supply chains. Without these, the risk of carbon leakage and unequal adjustment remains high.

At the same time, foreign direct investment, new technologies like artificial intelligence, and industrial policy are reshaping GVCs. Evidence in this report confirms that foreign direct investment continues to foster technology assimilation and productivity growth but also shows how strategic industrial policies can create spillovers or distortions that extend well beyond national borders. Understanding these cross-border effects is vital for designing policies that enhance resilience while maintaining openness.

Finally, the report turns to governance. As traditional multilateral negotiations remain difficult, sectoral, or otherwise limited, deals – often, not binding or even trade-centered – are emerging as new tools to govern frontier issues such as digital trade or access to critical minerals. The report identifies more than 180 such ‘targeted trade deals’, most of which were signed between 2021 and 2024. These underscore that international cooperation has evolved toward more flexible, issue-specific frameworks rather than disappeared. Improving the transparency, comparability, and interoperability of such policies will be central to building trust and predictability in this new governance landscape.

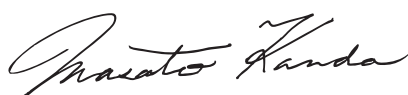
An important caveat for the report and its findings is that the data and evidence collected mainly runs through 2024 – and thus pre-dates the substantial tariff increases, and associated uncertainty seen in 2025. And yet, available data at the time of publication in December 2025 suggest that trade growth remained robust, illustrating the resilience of supply chains thanks to firm agility and creative policy approaches to managing disruptions. This reaffirms the report’s central insights regarding the adaptability of GVCs, but it undeniable that the past year has put further strains on them.

This fifth edition of the *Global Value Chain Development Report* is the product of even greater collaboration than in previous years. More than 60 scholars and policymakers from leading institutions worldwide contributed to the background papers and chapters. The co-publishing partners – the Asian Development Bank, the Research Institute for Global Value Chains at the University of International Business and Economics, the Institute of Developing Economies-Japan External Trade Organization, the World Trade Organization, and the World Economic Forum – are grateful for their commitment.

We hope the *Global Value Chain Development Report 2025* will help policymakers, researchers, and business leaders better understand how GVCs are reconfiguring under the pressures of our turbulent times. By advancing knowledge and fostering dialogue, this report aims to support the construction of a global trading system that is more inclusive, resilient, and sustainable, and that continues to deliver benefits to people around the world.



Zhongxiu Zhao
President of UIBE



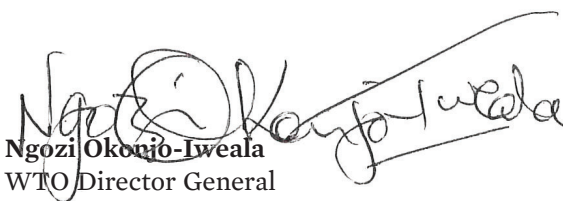
Masato Kanda
President of ADB



Fukunari Kimura
President of IDE-JETRO



Børge Brende
President of
World Economic Forum



Ngozi Okonjo-Iweala
WTO Director General