Asia-Pacific
Economic Cooperation

Advancing Free Trade for Asia-Pacific Prosperity

RESEARCH OUTCOMES

SUMMARY OF RESEARCH PROJECTS

2025

Policy Support Unit

Asia-Pacific Economic Cooperation (APEC) was established in 1989. The 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States; and Viet Nam.

APEC Policy Support Unit (PSU) is the policy research and analysis arm of APEC, comprising openly recruited professionals working together with APEC Senior Officials, committees and fora, in improving the quality of their deliberations and decisions and promoting policies that support the achievement of APEC's goals, by providing objective and high-quality research, analytical capacity and policy support capability.

Research Outcomes is an annual publication that provides a summary of research projects the PSU has undertaken in a year. For past years' publications, please visit www.apec.org/who-we-are/research-and-analysis. If you have any feedback, please write to us at psugroup@apec.org.

APEC#226-SE-01.10

Contents

Economic Driver 1: Trade and Investment

Economic Driver 2: Innovation and Digitalisation

Economic Driver 3: Strong, Balanced, Secure, Sustainable and Inclusive Growth

APEC Regional Trends Analysis

PSU publications are available for download at:
www.apec.org/who-we-are/research-and-analysis/psu-publications/overview-psu-publications

Economic Driver 1: Trade and Investment

Towards APEC Putrajaya Vision 2040

2025 Update to Evaluating Progress on the Aotearoa Plan of Action (APA): Trade and Investment Perspective

Link: https://www.apec.org/publications/2025/12/2025-update-to-evaluating-progress-on-the-aotearoa-plan-of-action-(apa)--trade-and-investment-perspective

This report evaluates progress on trade and investment towards the APEC Putrajaya Vision 2040 through implementation of the APA. It is the second biennial evaluation, following the first in 2023, and has been prepared for the Committee on Trade and Investment.

Findings & Recommendations

In the view of the PSU, the data obtained to evaluate APEC-wide progress across the six objectives related to trade and investment (including the digital economy and sustainable trade) shows that APEC has made good progress in certain areas, but also could work in other areas to get closer to meet these objectives:

- In a context where rising trade policy uncertainty is jeopardising efforts in recent years to improve the trade environment, APEC economies must work together to remove unnecessary barriers to trade. In 2024, APEC has shown early signs of recovery both in trade value and its share of global goods trade. Rising trade policy uncertainty, however, may affect the volume of goods trade, which could reverse recent progress. Addressing both tariffs and non-tariff measures (NTMs) is essential to maintain a more predictable trade environment. APEC economies are encouraged to improve transparency, streamline NTMs, and harmonise them with international standards.

- Boost trade in services flows by pursuing initiatives creating an enabling policy environment for services, with particular focus on certain sub-sectors. While the value of APEC's trade in services has increased from 2016 to 2024, APEC's share of global services trade has yet to fully return to its 2016 peak, although it has begun to rebound in recent years. One of the factors that affect this may be the regulatory environment of services trade. APEC's policy environment for services has become less restrictive from 2020 to 2024. However, progress is uneven across sub-sectors. In fact, the distribution sub-sector removed the most trade barriers while restrictions in the sound recording sub-sector increased the most between 2019 and 2024. APEC economies are suggested to continuously reduce services restrictions over time to ensure a stable and predictable trade in services policy environment.

- Attract more investments by improving the FDI policy environment. APEC remains a major recipient of FDI, highlighting the region's continued attractiveness to global investors. While APEC's value of overall FDI stock increased from 2017 to 2024, greenfield investment has performed relatively weaker than the global trends over the same period. One key factor influencing FDI growth is the policy environment. Although APEC's FDI policy environment has become less restrictive from 2021 to 2023, barriers remain—primarily on foreign equity limits. Moreover, progress in reducing restrictions has also been uneven across sub-sectors. The wholesale trade sub-sector removed the most trade barriers while the restrictions in the manufacture of food products sub-sector increased the most from 2019 to 2023. To sustain FDI growth, APEC economies are encouraged to foster greater transparency in investment regulations, including harmonising procedures across member economies. In addition, incorporating legal protections for foreign investors in bilateral investment treaties can enhance predictability.

- Advance economic integration in the region by developing high-standard and comprehensive regional undertakings. Although the number of new free trade agreements (FTAs) / regional trade agreements (RTAs) signed in APEC has slowed since 2020, many of these recent agreements are deeper in that they include non-traditional chapters. This expansion highlights the growing complexity of conducting trade and a heightened awareness of the importance of economic diplomacy and cooperation as new challenges appear. APEC can continue advancing economic integration in the region through the Free Trade Area of the Asia-Pacific (FTAAP) agenda, encourage further efforts and concrete work programs to enhance experience sharing, capacity building, and technical cooperation efforts, examine areas of cooperation to reduce divergence in trade agreements, and continue laying building blocks to support the FTAAP agenda.

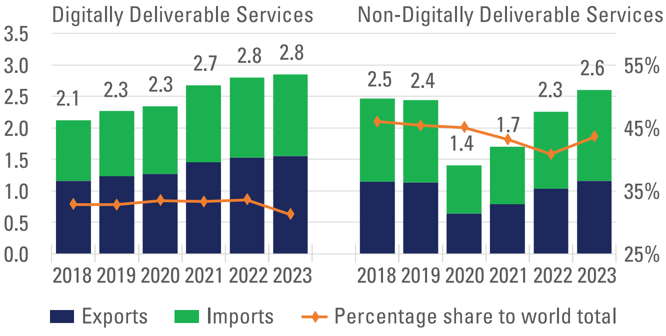
APEC cumulative number of FTAs/RTAs

Source: APEC PSU calculations based on compiled data from economy sources, ADB, and WTO (accessed 2 May 2024).

- Strengthen regional connectivity through capacity-building support and cooperation. APEC has improved both its trade logistics performance and its maritime connectivity with the world. These regional improvements have likely benefitted from economies' efforts over the past few years to improve trade facilitation. APEC's collective progress in implementing the WTO Trade Facilitation Agreement (TFA) has improved from an 84.5% average implementation rate in 2023 to 86.9% in 2025. Notwithstanding, some economies have encountered difficulties in its implementation, thus highlighting the importance of regional cooperation and capacity-building assistance to ensure that no one is left behind. APEC may also consider giving increased attention to trade facilitation measures related to institution and cross-border paperless trade. These efforts should include the implementation of "best endeavour" provisions in the WTO TFA. Apart from trade logistics, APEC can also further strengthen people-to-people connectivity by expanding intra-APEC air services agreements, reviewing visa policies, or adopting the use of visas on arrival, eVisas, and other similar electronic means that can help ease the procedural burden and cost on tourists.

- APEC's digital economy is growing but more must be done to strengthen growth. Rapid advancements in digitalisation over the last decade has led to massive growth and development across many industries, especially in the services sector. In APEC, the total trade value of digitally deliverable services (DDS) has outgrown the value of its non-DDS trade between 2020 and 2024. What is concerning, however, is the marked decrease in APEC's share of world total trade of DDS. This warrants attention among economies since it implies that the rest of the world is growing faster than APEC. To further facilitate the growth of the digital economy, it is important to address bottlenecks affecting it, such as inadequate digital infrastructure development and restrictive regulatory digital frameworks. Latest data suggests that the policy environment for the digital economy is increasingly becoming restrictive across the region, with no signs yet of it returning to a more open regime. Despite improvements, more can be done to improve internet access and affordability.

APEC total commercial services trade, by category (trillion USD)



Source: APEC PSU calculations using data from the WTO (accessed 26 April 2025).

- Intensify environmental efforts to achieve sustainable growth and prosperity by facilitating trade in environmental goods. While tariffs on these goods have fallen, APEC's share of global trade in environmental goods has declined from 2017 to 2023. To boost trade in environmental goods, it is essential for APEC economies to improve accessibility, particularly on goods with high potential for addressing environmental challenges.

- A more efficient energy transition is crucial to reduce pollution arising from economic development. Increasing the share of renewable energy is key to decoupling economic growth from pollution and emissions. APEC economies have increased their renewable energy share from 2016 to 2024 yet still lag behind the world. Trade in renewable energy-related goods—like solar and wind technologies—has grown in value from 2017 to 2023. In order to support the region's transition to energy with lower emissions, APEC economies may wish to keep on facilitating access to key technologies and components for renewable energy through trade.

- Improve the availability of disaggregated data, particularly those that could monitor progress in transitioning informal economic actors towards formalisation. A formal economy improves resiliency and maximises the benefits of trade and investment. The Lima Roadmap to Promote the Transition to the Formal and Global Economies (2025-2040) and its Implementation Plan highlight the importance of advancing an inclusive trade and investment environment to broaden access to markets and global trade participation. This has synergies with the APA, but the lack of reliable and comparable disaggregated data (for instance, on MSMEs) makes it difficult to evaluate collective progress across the APEC region. Similarly, reliable indicators linking trade and informality are unavailable. Whilst relevant insights from this report reveal a generally positive progress towards a better policy environment—informal economic actors will not fully benefit from it due to limited access to formal institutions and difficulties to build a strong relationship with those in the formal sector.

Trade in Goods and Services

Study on Convergences and Divergences of Free Trade Agreements in the APEC Region

Link: https://www.apec.org/publications/2025/01/study-on-convergences-and-divergences-of-free-trade-agreements-in-the-apec-region

This report provides a comparative analysis of the content and scope of five comprehensive Regional Trade Agreements (RTAs) and Free Trade Agreements (FTAs) in the Asia-Pacific region, to which 17 APEC economies are signatories. It also highlights innovative approaches being discussed

Economic Driver 1: Trade and Investment

and adopted globally to address emerging and future trends, and offers recommendations that may serve as a reference for APEC's work on the Free Trade Area of the Asia-Pacific (FTAAP) initiative.

Findings & Recommendations

The study covers the following five RTAs/FTAs: (1) the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA); (2) the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); (3) the Agreement between the United States, the United Mexican States and Canada (USMCA); (4) the Additional Protocol to the Framework Agreement of the Pacific Alliance; and (5) the Regional Comprehensive Economic Partnership Agreement (RCEP).

The comparative analysis of these five RTA/FTAs found that a large majority of the chapters/sectoral annexes analysed (32, equivalent to 94% of the total) have medium to high levels of convergence among themselves, and only one chapter (macroeconomic policies) and one sectoral annex (maritime services) were found to have a low level of convergence.

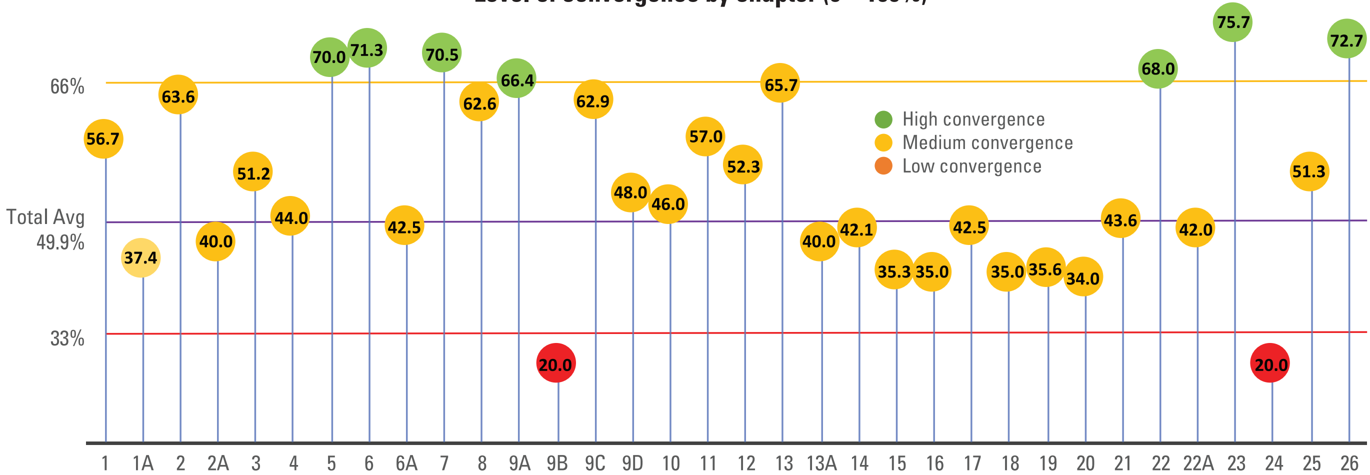
Without prejudging on the scope, nature, process or appropriate platform towards any future high standard and comprehensive regional undertaking, the comparative analysis identifies areas where APEC could do more work to further advance the FTAAP agenda. The study found that, for the 17 APEC economies which are Parties of at least one of the five RTA/FTAs assessed, the inclusion of 22 of the 34 chapters/sectoral annexes in this process could be either feasible, or feasible with a certain degree of challenge, and 12 chapters/sectoral annexes could be challenging at the outset of such a process. On the latter, particularly challenging would seem to be provisions in areas where some APEC economies are not familiar with — based on the content of their RTA/FTAs in force — or domestic policy approaches seem to be far apart (for example: labour and environment).

The analysis of emerging and future trends that have disrupted international trade and investment, including the COVID-19 pandemic, the increasing environmental concerns, and the acceleration of the digital economy, identified seven innovative approaches where economies around the world seek to provide responses: (1) supply chain resilience; (2) investment facilitation; (3) digital economy; (4) inclusive trade; (5) fisheries subsidies; (6) fossil fuel subsidies; and (7) trade in essential goods and services. As discussed, a number of APEC economies are already participating in related initiatives in these areas, either bilaterally, regionally, or at the multilateral level.

The findings of the report speak of the broad commonalities that already exist between most APEC economies under the five largest RTA/FTAs in the region, and conclusions can be drawn in terms of reaching comprehensive, high-standard obligations, and ambitious liberalisation commitments in these agreements. The FTAAP agenda has a role to play in fostering synergies among trade agreements. That fact should serve as an important reference when considering how to advance economic integration in the region in a manner that is market-driven, including through the FTAAP agenda, which contributes to high standard and comprehensive regional understandings.

Additionally, the participation of several APEC economies in the seven above identified innovative approaches that respond to current and emerging challenges already shows the interest that these economies attach to finding new ways to respond to pressing issues. There seems to be fertile ground to consider new angles to respond to emerging trends in trade in the APEC context. These innovative approaches could serve as a guide to build momentum towards advancing the FTAAP agenda and strengthen the case towards greater convergence in the future.

Level of convergence by chapter (0 – 100%)



1.MARKET ACCESS
1A.AGRICULTURE
2.RULES OF ORIGIN
2A.TEXTILE AND APPAREL
3.CUSTOMS ADM AND TF
4.TRADE REMEDIES
5.SPS
6.TBT
6A.TBT SECTORAL ANNEXES
7.INVESTMENT
8.TRADE IN SERVICES
9A.FINANCIAL SERVICES
9B.MARITIME SERVICES
9C.TELECOMMUNICATIONS
9D. PROFESSIONAL SERVICES
10.TEMPORARY ENTRY OF PERSONS
11.ELECTRONIC COMMERCE
12.GOVERNMENT PROCUREMENT
13.COMPETITION POLICY
13A.SOES
14.INTELLECTUAL PROPERTY
15.LABOR
16.ENVIRONMENT
17.COOPERATION AND CAPACITY BUILDING
18.COMPETITIVENESS
19.SMES
20.DEVELOPMENT
21.REGULATORY COHERENCE
22.TRANSPARENCY
22A.ANTI-CORRUPTION
23.DISPUTE SETTLEMENT
24.MACROECONOMIC POLICIES
25.EXCEPTIONS AND GENERAL PROVISIONS
26.FINAL PROVISIONS

Importantly, the chapters/sectoral annexes reviewed and the innovative approaches contribute to the different objectives and actions within the three drivers stated in the APEC Putrajaya Vision 2040 and the Aotearoa Plan of Action.

Technical recommendations on how to address challenges, build capacity, take into account different levels of development, handle sensitivities and other particular circumstances mentioned throughout the analysis, are drawn from the tools previously devised and used by economies in past and current processes. Recommendations in the report to address challenges also rely to an extent on well tested approaches previously used in APEC dynamics. The report provides a non-exhaustive catalogue of tools and creative measures that members can resort to for these purposes.

The analysis concludes that APEC economies have been able to create solutions in the past, from the technical instance, to address challenges and achieve ambitious standards to liberalise and facilitate trade and investment flows under alternative regional configurations. The result of such dedicated efforts and achievements could be used to contribute to the advancement of FTAAP agenda and that contributes to high standard and comprehensive regional undertakings, regardless of the process or platform APEC members decide to use in pursuance of such goals.

APEC Services Competitiveness Roadmap (ASCR) Final Review

Link: https://www.apec.org/publications/2025/10/apec-services-competitiveness-roadmap-(ascr)-final-review

This final review evaluates the progress of implementing the ASCR, which was endorsed by APEC Leaders in 2016 alongside its implementation plan. It assesses progress towards the roadmap's targets, evaluates the implementation of APEC-wide and economy-level actions, and examines its broader contribution to regional goals.

Findings

Assessment of overarching targets

- APEC has made only modest progress towards creating a more open and predictable services trade environment (Overarching Target #1). While some economies introduced reforms, others became more restrictive, leading to a fragmented landscape. Sector-specific trends reflect a similar divergence. Most notably, digital services have been facing rising barriers.

- Post-pandemic recovery has raised concerns, as most liberalisation was tied to the rollback of crisis-era measures; few economies introduced durable structural reforms (beyond the rollback). Persistent barriers in several services sectors highlight the need for renewed, targeted reforms to strengthen cross-border services trade.

- APEC did not make progress on increasing its share of global services exports (Overarching Target #2), which fell from 38.4% in 2016 to 35.3% in 2024 as other regions grew faster. This downward trend underscores the need for more coordinated, ambitious efforts to boost services competitiveness.

- APEC's performance on increasing services trade and value-added (Overarching Target #3) has been mixed. Although services trade rebounded post-COVID, its 5.6% compound annual growth rate fell short of the ASCR benchmark and the global average (excluding APEC), while the sector's share of regional GDP declined slightly—highlighting the need for stronger policy momentum.

Assessment of APEC-wide and individual economy actions

- Boosting services competitiveness in APEC requires a comprehensive approach, as outlined in the ASCR, which emphasises enabling factors such as implementing good regulatory practices, undertaking structural reforms, supporting cross-border labour mobility, and aligning workforce skills with industry needs.

- Recognising that enabling conditions require both domestic and regional efforts, the ASCR adopts a dual-track strategy: APEC-wide actions and individual economy reforms. Regional cooperation is advanced through 19 APEC-wide actions led by 15 fora, while individual efforts are reflected in services-related initiatives within the Enhanced APEC Agenda for Structural Reform (EAASR) individual action plans (IAPs).

- Progress in advancing APEC-wide actions:

Steady progress in implementing actions

Liberalisation has been modest and uneven

Cross-cutting and sector-specific actions reinforce one another

  - APEC has made steady progress in implementing APEC-wide actions, with updates reported for many initiatives and several key outputs achieved. Notable deliverables include the endorsement of the Non-Binding Principles on Services Domestic Regulation, the development of the APEC Index, and the establishment of new cooperation mechanisms in education and environment.

  - Cross-cutting and sector-specific actions can reinforce one another effectively. Structural reforms and good regulatory practices support sectoral advancements, while measures such as business travel facilitation help enable cross-border mobility, knowledge exchange, and foreign investment—further strengthening services development across the region.

Economic Driver 1: Trade and Investment

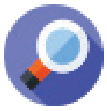
- The ASCR's flexible framework has also allowed APEC to adapt to emerging priorities, incorporating themes such as artificial intelligence, services technical standards, and marine debris. This adaptability has enhanced the relevance of APEC's work in a rapidly evolving regional context.

- However, significant gaps remain. Liberalisation has been modest and uneven, with some sectors becoming more restrictive over time. Participation in some key regional frameworks also remains limited, hindering broader integration.

- Looking ahead, APEC should prioritise deepening reforms, increasing participation in regional initiatives, and improving measurement tools. Sustained political will, stronger cross-fora collaboration, and continued investment in capacity building will be essential to ensure services remain a key driver of growth in the region.

• Progress in advancing individual economy actions:

Economies included key initiatives/ actions benefitting services



General findings are applicable in developing initiatives

Further efforts are needed since some responses lack sufficient detail or remain unanswered

- The EAASR IAP final review template prompts economies to identify and explain how their key initiatives benefit the services sector. Of the 116 updates provided, 87 indicated such benefits. These initiatives span a range of themes, including facilitating business conduct, promoting competition, enhancing the digital ecosystem, developing human capital, fostering innovation, investing in infrastructure, expanding market access, and improving access to government services.

- The inclusion of this question has encouraged economies to reflect more carefully on the services implications of their initiatives. However, some responses lack sufficient detail, while some did not address the question at all. While this marks a positive start, further efforts are needed—such as incorporating services-specific indicators, organising more information-sharing sessions focused on services impacts, and conducting capacity-building activities to support the development of targeted initiatives.

- Looking more broadly, the review of economy submissions – beyond just those related to services – revealed several general observations that offer useful learning points for economies as they design or refine key initiatives. These include the importance of establishing clear baselines, adapting to challenges, using evidence to inform adjustments, engaging stakeholders, adopting a holistic approach, developing clear implementation frameworks, and balancing diverse policy interests.

Taking stock of ASCR mid-term review recommendations

When the PSU conducted the ASCR Mid-Term Review, eight recommendations were put forward to guide the next phase of APEC's services agenda through 2025. With the ASCR concluding in 2025, it is timely to draw on the various input sources discussed earlier to assess progress in implementing these recommendations.

• Accelerate implementation of specific APEC-wide actions: This recommendation has seen partial progress, with notable achievements including completed outputs for some APEC-wide actions, such as the adoption of non-binding principles for domestic regulation, and improved services data collection. Fora have also conducted various capacity-building activities to support implementation. However, progress remains uneven and modest overall, with limited updates on several actions.

• Update set targets and outputs in each APEC-wide action and clearly associate activities with them: This recommendation has seen some progress, with updates to targets, outputs, or activities reported for many APEC-wide actions between 2023 and 2025. However, implementation remains uneven, with many actions still lacking clearly defined or updated targets. Activities are not always explicitly linked to outcomes, making progress difficult to track, and while new initiatives on emerging issues show adaptability, they are not always formally incorporated into updated targets or outputs.

• Respond to COVID-19 decisively and concretely: Implementation of this recommendation was mixed. Initial momentum was driven by swift pandemic response measures and their subsequent removal, some of which were reflected as liberalising changes in the APEC Index. APEC-wide actions and specific projects supported recovery strategies and addressed challenges in areas such as education and tourism. However, by 2023–2024, reform momentum had slowed, with most progress limited to the rollback of temporary measures. This underlines a missed opportunity to leverage the crisis as a catalyst for deeper services sector reform and resilience building.

• Leverage cross-fora collaboration and capture all relevant activities: Progress has been made in promoting cross-fora collaboration, with joint activities such as Economic Committee-Group on Services symposia highlighting effective coordination on services and structural reform. However, gaps remain in systematically documenting relevant projects and their linkages, and some APEC-wide actions still operate in silos, limiting the potential to scale impact and share best practices across fora.

- Ensure better synergy between ASCR and other APEC initiatives: This recommendation has been partially achieved, with stronger coordination between the ASCR and EAASR, including the integration of services-related initiatives into EAASR IAPs. However, synergies remain limited. Alignment with other APEC strategies like APEC Internet and Digital Economy Roadmap and the APEC Connectivity Blueprint is not clearly documented, and more needs to be done to ensure systematic coordination. This will require better coordination among different agencies within governments, as the agencies in charge of each APEC initiative are not necessarily the same ones.

- Enhance engagement with the private sector: This recommendation has been moderately addressed, with private sector representatives participating in workshops, policy dialogues, and capacity-building activities across various APEC-wide actions. However, there is still room for more systematic and sustained engagement with the private sector. The alignment between policy initiatives and private sector needs may not always be clear or well-documented.

- Continue to improve services data and statistics: This recommendation has seen notable progress, particularly through the development of the APEC Index, which now enables comparative analysis of regulatory restrictiveness across 22 service sub-sectors in 18 economies. However, coverage gaps remain, as the Index does not include all APEC economies or capture the policy environment in emerging sectors like environmental services. Additionally, disaggregated and granular data on services remain limited across much of the region.

- Undertake complementary, measurable, concrete activities: This recommendation has been partially implemented, with a wide range of activities—such as workshops, dialogues, toolkits, and reports—contributing to capacity building and reform support across APEC economies. However, these efforts often lack clear performance indicators, and explicit links to the ASCR's overarching targets. Limited follow-through and evaluation further hinder the ability to assess their effectiveness or long-term impact.

Insights from perception survey

- The ASCR Final Review Perception Survey suggests the roadmap has been moderately successful in raising awareness of the role of services in regional growth and key enabling factors. Respondents also noted that it provided a useful rationale for forum activities and contributed to peer learning, improved domestic coordination, and stronger cross-fora collaboration.
- Despite positive perceptions, the survey revealed limitations, notably a low response rate (19%; 61 fully completed responses out of a possible 315) that may reflect limited engagement with the ASCR. Respondents also called for better communication, broader stakeholder involvement, and closer alignment of the future roadmap with key APEC frameworks like the APEC Putrajaya Vision 2040 and the Aotearoa Plan of Action.

Recommendations

Recommendations for the new services roadmap:

1. Accelerate reforms in key services sectors
2. Advance cooperation in new and emerging areas
3. Enhance services data and statistics
4. Strengthen whole-of-government coordination and cross-fora collaboration
5. Deepen engagement with private sector and stakeholders
6. Embed services roadmap into broader APEC vision and cross-cutting priorities
7. Ensure services roadmap remains responsive to evolving needs and challenges

- Accelerate reforms in key services sectors, including setting clear and measurable targets at working level: To strengthen regional competitiveness and reduce fragmentation, APEC should accelerate structural reforms in key services sectors, supported by enabling factors such as good regulatory practices and international regulatory cooperation. Reforms should be guided by clear, time-bound targets and concrete indicators to enable consistent monitoring.

- Advance cooperation in new and emerging areas: As the services landscape rapidly evolves, APEC must strengthen cooperation and collaboration in emerging areas such as the digital and green economies, where regulatory complexity and new service demands are growing.

- Enhance services data and statistics, including expanding scope of the APEC Index: Robust data is essential for effective services sector reform. The new roadmap should expand the APEC Index's coverage and promote the collection of disaggregated, longitudinal data to better assess reform impact, track progress, and guide future liberalisation efforts.

- Strengthen whole-of-government coordination and cross-fora collaboration: A more coherent services policy agenda requires sustained whole-of-government approach and cross-fora collaboration. The next roadmap should institutionalise these linkages, promote joint planning, and establish mechanisms to track and report cooperation to maximise impact and avoid duplication.

- Deepen engagement with the private sector and other stakeholders: Advancing services competitiveness requires active and sustained engagement with the private sector and other key stakeholders. The next roadmap should institutionalise this engagement through structured platforms to ensure reforms are grounded in practical insights and address real world challenges faced by service providers, workers, and consumers.

- Embed services roadmap into broader APEC vision and cross-cutting priorities: To enhance strategic relevance, the new services roadmap should align with APEC's broader priorities as outlined in the Putrajaya Vision 2040 and Aotearoa Plan of Action. Integrating inclusive growth and sustainability metrics into monitoring frameworks will ensure services-related reforms also advance broader development goals.

- Ensure services roadmap remains responsive to evolving needs and challenges: A key strength of the ASCR has been its flexibility to adapt to emerging priorities, a feature the future roadmap should preserve by embedding regular reviews, foresight processes, and stakeholder consultations. By remaining agile and proactive, APEC can ensure its services strategy stays relevant and forward-looking.

The Costs of Hidden Measures: APEC's Experience with Non-Tariff Measures (NTMs)

Link: https://www.apec.org/publications/2025/09/the-costs-of-hidden-measures--apec-s-experience-with-non-tariff-measures-(ntms)

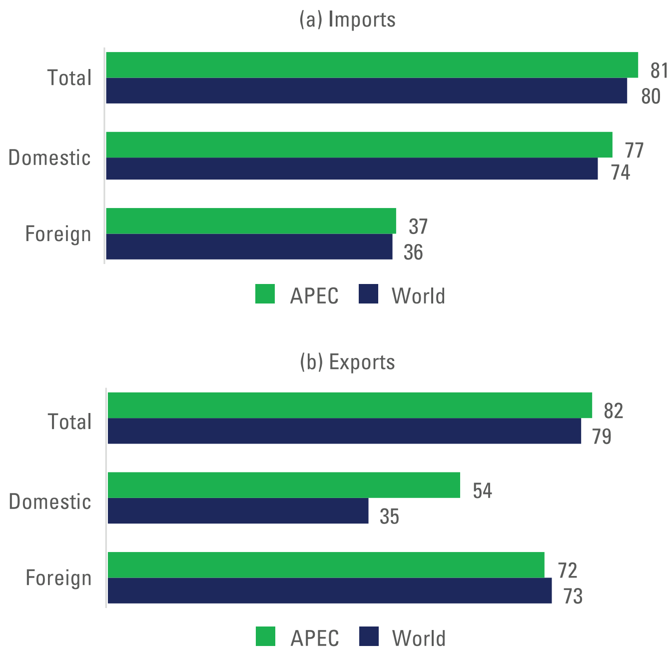
This policy brief draws insights from APEC's experience with NTMs, highlights the challenges that economies often face, and provides a set of policy approaches to help policymakers manage them.

Findings

Landscape of NTMs in APEC. This assessment profiles the landscape of NTMs in APEC by utilising two databases, namely: (1) the UNCTAD Trade Analysis Information System (TRAINS), which provides information on the presence of NTMs but not on its stringency; and (2) the Global Trade Alert (GTA) Database, which categorises NTMs by its potential discriminatory effect.

- A significant portion of bilateral trade relationships are affected by NTMs. An analysis of NTMs data from the UNCTAD TRAINS database suggests that a significant portion of all bilateral trade relationships are affected by at least one NTM (see figure). This is true for both APEC and the World, although APEC has a slightly larger percentage of affected relationships. Generally, both importers and exporters are mostly affected by NTMs put in place at the destination market rather than at the source of origin.

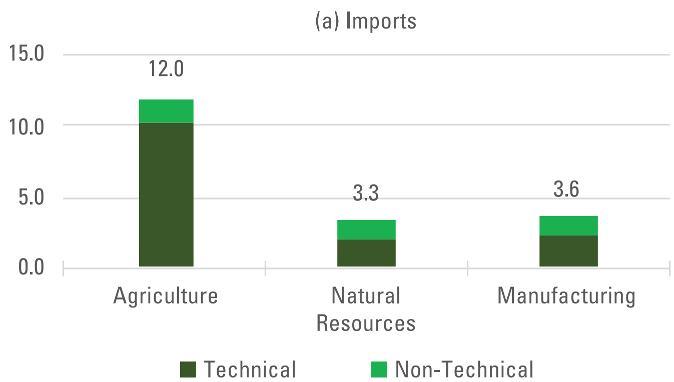
Share of all bilateral trade relationships affected by NTMs, by category (percent)

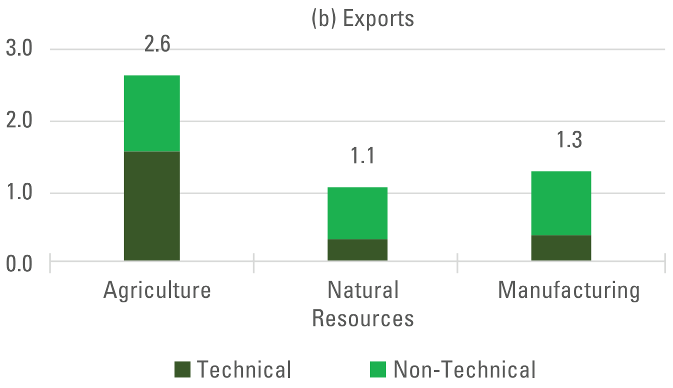


Source: APEC PSU calculations using data from UNCTAD TRAINS and UN Comtrade (accessed 28 September 2024).

- Some NTMs are more relevant than others depending on the industry. Across all APEC bilateral trade relationships, the prevalence score reached 4.4 for imports and 1.4 for exports—indicating that importers are three times more exposed to NTMs implemented by APEC. Moreover, the prevalence score shows that APEC implements around 2–3 times more NTMs on agriculture than on goods related to natural resources and manufacturing (see figure).

Average number of NTMs implemented by APEC, by broad industry (number per trade relationship)





Source: APEC PSU calculations using data from UNCTAD TRAINS and UN Comtrade (accessed 28 September 2024).

While the high prevalence of such regulations on agricultural products is expected since these ensure the protection of health and safety, it is a concern for APEC economies exporting agricultural products when trade measures are inappropriately designed or implemented, as they can undermine growth and curb trade potential.

Among the non-technical measures, those involving price-controls and traditional trade measures like licenses and quotas were the most common types. Although non-agricultural trade experiences a lower exposure to NTMs compared to agricultural trade, it remains susceptible to burdensome requirements and additional trade costs.

- Presence alone does not necessarily mean that there are problems. Data from the GTA database indicates that a total of 23,587 NTMs implemented by APEC remain in force (as of January 2025). This is higher compared to 8,241 measures identified a decade earlier. Regrettably, only 750 NTMs (3%) were evaluated as trade enabling measures. And concerningly, the number of discriminatory NTMs restricting trade has practically tripled since 2015—outpacing both trade-facilitating and potentially discriminatory measures.

  Moreover, discriminatory NTMs accounted for about 96% of all measures implemented by APEC. Among them, subsidies and other forms of support comprised a significant proportion (64%). Nonetheless, despite the high presence of NTMs across sectors, these do not correlate with having high discriminatory NTMs.

Challenges Affecting NTMs. Some challenges are:

- Different development levels have different regulatory focuses. Research by UNCTAD shows that economies with higher incomes tend to introduce more NTMs, particularly for consumer protection and to pursue goals associated with sustainable development. As a result, developed economies apply technical barriers to trade (TBT) measures more frequently, primarily targeting imports. APEC experiences the same: developed economies impose 2.4 TBT measures per imported product, compared with 1.3 in developing members. At the global level, least developing economies tend to adopt more NTMs on exports, such as technical export measures and export licensing. These differences may impose disproportionate costs across the supply chain.

- Ambiguity of determining "like products". While the concept of "like products" may seem straightforward, its determination can sometimes be complex—especially process and production methods (PPMs) that do not affect the final product characteristics. These PPMs usually aim to pursue certain societal values and objectives, such as human rights and the environment.

- Regulatory heterogeneity. In 2019, UNESCAP examined the regulatory similarity between domestic regulations and the three international standards identified in the Sanitary and Phytosanitary Measures (SPS) Agreement and found that most economies fail to adopt NTMs aligning with those international standards. In particular, NTMs adopted by developing economies show a larger regulatory distance from international standards compared to their industrialised counterparts. Regulatory distance could also vary by NTM category. For instance, technical measures exhibited more heterogeneity for agriculture and manufacturing. Non-technical measures appear to be an issue only for the agriculture industry.

- Uneven or inconsistent transparency. The TBT and SPS Agreements require member economies to notify draft measures or measures in place that may affect the trade of other member economies and that deviate from international standards. However, this system has limitations as only a subset of NTMs has to be notified. Moreover, inconsistent compliance further undermines transparency.

- Conformity assessment for SPS and TBT measures. One element that distinguishes technical measures is its need for conformity assessments. While this mechanism empowers governments to ensure regulatory compliance, it also adds procedural burden to firms. A 2023 study jointly conducted by UNESCAP and the International Trade Centre, for instance, observed that exporters experienced more problems trying to prove compliance compared to meeting the relevant SPS and/or TBT requirements. The most pressing challenges that firms face revolve around acquiring certifications.

- Procedural burdens complying with non-technical measures. Preferential rules of origin (ROOs) can be notoriously difficult to fulfil, especially for firms involved in products with multiple components supplied by different economies. Its difficulty incentivises most firms to use agreements that they are already familiar with. Many preferential trade agreements include similar ROO provisions, such as regional value content, accumulation, and de minimis value for allowing a limited use of non-originating materials. However, specific procedures to operate these provisions can vary across trade agreements, thereby adding a layer of administrative cost.

Economic Driver 1: Trade and Investment

Recommendations

The following provides policymakers with a set of approaches they can consider when using NTMs, depending on their circumstances and domestic contexts:

- Include regulatory impact assessments into institutional processes. One way to have a balanced approach to NTMs is through the institutionalisation of regulatory impact assessments when there are plans to introduce or amend a measure. This assessment helps determine whether the measure is more trade-restrictive than necessary to achieve its intended objectives.

- Provide capacity-building and technical assistance. It is important to provide capacity-building and technical assistance to support strengthening compliance and verification capacities, particularly in developing economies. In addition, economies could explore the feasibility of regional solutions like shared facilities or joint research centres that support compliance with international standards by combining direct interventions with indirect enablers like innovation. Economies could also boost technical support, financial assistance, and investments to help bridge gaps in logistics and infrastructure, possibly with assistance of the private sector through public-private partnerships. APEC can also consider having targeted initiatives to improve the implementation of trade facilitation measures, especially cross-border paperless trade.

- Explore creative solutions to overcome the narrow definition of "like products". Given the constraints of the narrow definition of "like products", some bilateral trade agreements have begun to incorporate the provision on PPMs that are not related to the physical characteristics or quality of a product. A groundbreaking milestone is the inclusion of non-product-related PPMs in the Comprehensive Economic Partnership Agreement between Indonesia and the European Free Trade Association, where both parties agreed that palm oil produced sustainably—certified according to the Roundtable on Sustainable Palm Oil (RSPO) standard—would be eligible for preferential tariff treatment. This approach creates a distinction between palm oil produced with deforestation risks and those through sustainable practices. It also offers a valuable template for APEC economies seeking to advance emerging legitimate objectives.

- Resolve regulatory heterogeneity. Rules that vary by jurisdiction can result in substantial trade costs and procedural burden for firms. Economies can resolve this issue through either harmonisation or regulatory cooperation. Harmonising NTMs with international standards can, however, have a heterogenous and diversionary impact on international trade. For example, low-income economies experience increased export diversification and partners that share standards tend to trade with each other.

  When harmonisation with international standards remains unfeasible, economies could pursue regulatory cooperation as a pragmatic starting point. Regulatory cooperation, such as through better trade facilitation and mutual recognition mechanisms, can generate benefits that surpass those gained from tariff liberalisation by reducing compliance costs and facilitating trade flows. By aligning regulations, APEC members can facilitate better trade volumes and enhance regulatory interoperability between regulatory systems in the region. Supporting channels within APEC, such as the Sub-Committee on Standards and Conformance, the Market Access Group, and the Committee on Trade and Investment, can also be instrumental to advance regulatory cooperation on NTMs.

- Strengthen efforts to communicate information on NTMs. To enhance regulatory transparency, it is essential for APEC economies to meet the notification obligations under the WTO Agreements. These efforts must also be accompanied by stronger data collection efforts. In addition, establishing a clear and transparent domestic legislative process is equally important. This includes ensuring that all relevant stakeholders have timely access to information on the implementation of any measures that could have implications on trade. A mix of passive and active information tools can ensure that stakeholders are effectively reached. For example, the APEC Trade Repository consolidates useful references on APEC economies' trade information. Moreover, a reasonable interval between publication and entry into force is necessary to receive feedback from stakeholders.

  Open dialogues with different groups of stakeholders can also be done. Economies are encouraged to establish NTM consultation mechanisms that allow stakeholders, including foreign businesses, to express their concerns and suggestions on a new regulation or amendment. Moreover, engaging expert groups within the consultation process can further enhance interaction. By considering diverse stakeholder perspectives and understanding different positions, regulations can be developed in a more comprehensive and balanced way.

- Develop more flexible and streamlined procedures on NTMs. Developing more flexible and streamlined procedures can help alleviate procedural burden. For example, economies can consider a systematic review of NTMs, such as licensing and permits whereby annual renewal requirements can be waived up to a specified number of years if the firm has incurred no violation over a given monitoring period (low-risk traders). In fact, most APEC economies grant authorised economic operators (AEOs) with indefinite certifications. Not only will this help ease strained operational capacity among regulators, but it could also incentivise firms to take extra precautions to avoid any form of violation. Similarly, economies can introduce better flexibility in handling dual-use goods. For instance, they could introduce programs with adequate compliance safeguards to accredit "secure importers" of dual-use goods akin to how AEOs are identified.

Amid this landscape, APEC's adoption of the Cross Cutting Principles on NTMs in 2018 represents an important reference to guide APEC economies in the development and implementation of NTMs. By implementing these principles, APEC can show the world that diversity is not a hindrance to collective solutions—but a foundation for it.

Investment

Companies' Best Practices on Long-Term Foreign Direct Investment Within APEC Economies

Link: https://www.apec.org/publications/2025/11/companies--best-practices-on-long-term-foreign-direct-investment-within-apec-economies

This study analyses investment longevity through the three dimensions of Continuity, Relationships, and Human-Resource Development by drawing on six real-world company best practices. It translates these insights into 87 actionable recommendations for corporations and host economies.

Findings & Recommendations

The six selected global companies—Ajinomoto Malaysia, Kaneka Malaysia, Toyota Motor Thailand, Toyota Motor Manufacturing Kentucky, Intel Malaysia, and Intel Products Viet Nam—have made significant investments and operate across Malaysia; Thailand; the United States; and Viet Nam.

Analytical vantage point – The Foundations and Enablers Framework. Long-term FDI performance was assessed through the Foundations and Enablers Framework—thirteen qualitative indicators nested under three dimensions: Continuity, Relationships, and Human-Resource Development. This approach conceptually aligns with APEC's Investment Facilitation Action Plan (IFAP), which promotes stability and predictability for investors, constructive stakeholder engagement, and responsible business conduct.

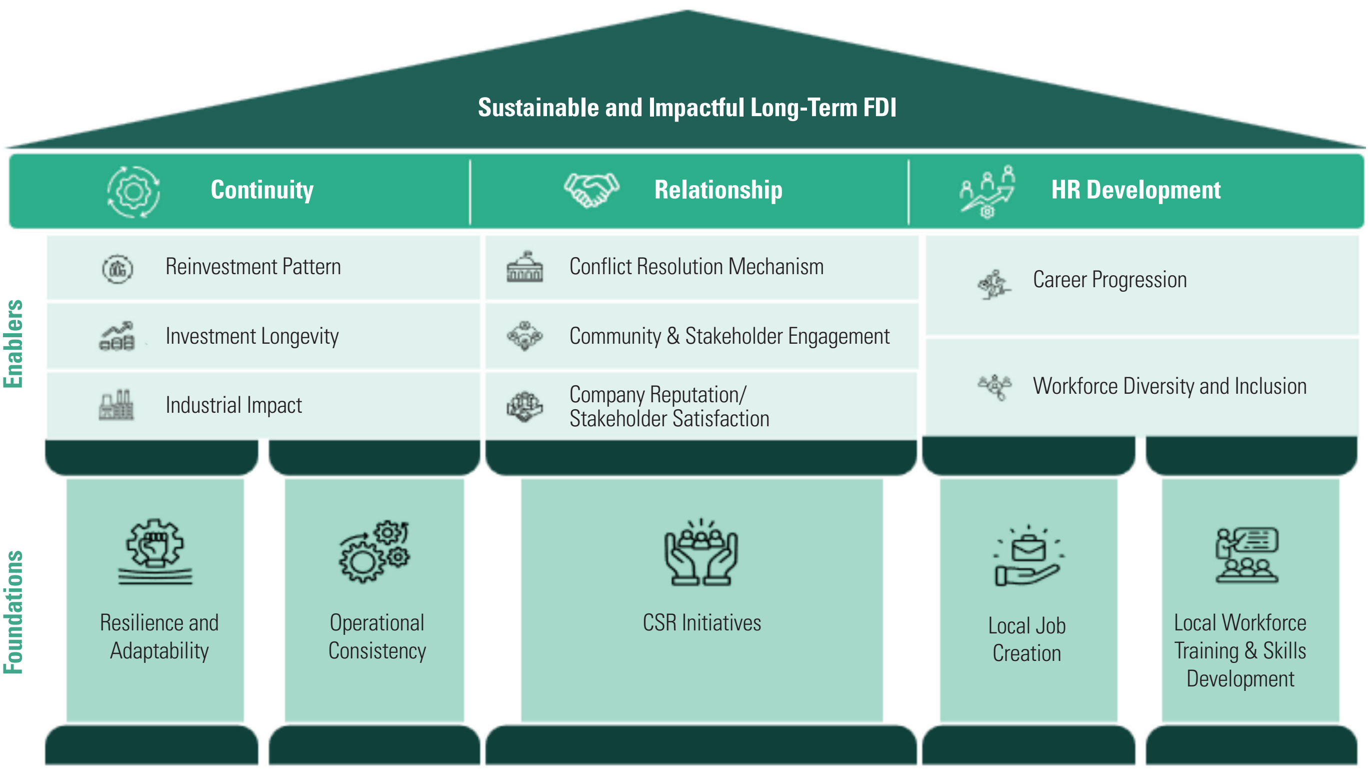
"Foundations" capture the conditions that anchor an investment at start-up, while "Enablers" capture the reinforcing practices that let it ride out shocks, climb the value chain, and deepen local linkages—reflecting IFAP's emphasis on resilient, transparent, and inclusive investment environments.

Evidence was triangulated from structured executive interviews, multi-day site visits, document analysis, and a validation workshop, ensuring that recommendations are grounded in both boardroom realities and policymaker priorities.

What winning looks like in practice

- Continuity – Crisis-ready investment. Ajinomoto has institutionalised risk prevention frameworks, diversified supply chains, and phased capital-expenditure programs; its eco-friendly Bandar Enstek plant in Malaysia came online in 2022 after an USD 80 million upgrade and

Foundations and Enablers Framework



Source: Arthur D. Little Analysis

maintained halal export volumes even through the pandemic.

- Relationships – Strategic stakeholder capital. Kaneka plays a strong leadership role in the Gebeng Industrial Support Group in Malaysia, aligning site-level sustainability projects with economy-wide development goals. Intel's R&D hubs in Malaysia and Viet Nam integrate clean energy and AI-driven programs, while Ajinomoto's halal plant in Bandar Enstek incorporates rooftop solar energy and advanced automation to reduce environmental impact as part of their Corporate Social Responsibility (CSR) initiatives.

- Human-Resource Development – The domestic capability flywheel. Toyota has embedded laddered apprenticeship tracks across Thailand and Kentucky. The FAME Program, business partnering groups, and competency-based promotions knit together a strong workforce and feed a high-potential pipeline that keeps both plants on the frontier of electrified-vehicle manufacturing.

Across the portfolio, investments that score high on all three dimensions consistently outperform peers on trade, supplier depth, wage growth, and social impact; weakness in any one dimension erodes the overall economic dividend.

From Diagnosis to Prescription – 87 Execution-Ready Moves. Case evidence was translated into 87 granular recommendations, which are split between corporate playbooks and host-economy policy levers, and tiered by executional sophistication against six quantified risk drivers (time dependency, regulatory fluidity, capex intensity, stakeholder polarity, talent scarcity, and technology obsolescence). A board-ready Action Checklist accompanies the recommendations, enabling executives and regulators to self-diagnose gaps, stage capital commitments, and assign cross-functional accountabilities across a three- to ten-year horizon. Four imperatives cut across every recommendation:

Imperative	Corporate Actions	Policy Enablers
Shock-proof operations	Deploy AI risk-sensing, circular-economy design, multisource supply chains	Codify crisis-response partnerships, digitise customs corridors
Shared value creation	Tie ESG key results to SDG targets and community co-investment	Embed ESG criteria in incentive packages; co-fund public-good projects
Accelerated local impact & linkages	Scale vendor-upgrade labs, joint IP development, and green-finance pilots	Offer SME scale-up grants, certification hubs, and anchor-tenant R&D campuses
Talent-chain resilience	Institutionalise dual-study apprenticeships, micro-credentials, and transparent workforce sustainability roadmaps	Underwrite economy-wide skills passports, STEM scholarships, and mobility stipends

Unlocking strategic value towards 2040. Scaling the recommended practices could unlock additional investment and generate high skilled jobs, while materially advancing the Putrajaya Vision 2040 and Aotearoa Plan of Action targets for sustainability, innovation, and inclusion. Conversely, inaction risks capital flight towards jurisdictions with deeper talent pools, greener grids, and more predictable regulations.

Call to disciplined execution. APEC economies now face a narrowing window of strategic optionality as global competition for clean-tech, semiconductor, and biotech value chains intensifies. Securing the first dollar of FDI is merely the opening move; translating that dollar into multi-decade prosperity demands KPI-anchored collaboration between businesses and governments. The indicators of the Foundations and Enablers Framework and the Action Checklist supply the governance backbone. Stakeholders that mobilise around these tools today will capture the next era of resilient, inclusive, and innovation-driven investment—reaping the full dividends that Ajinomoto, Kaneka, Toyota, and Intel have demonstrated are within reach.

Research and Survey on the Dispute Prevention and Mitigation System in APEC Economies

Link: https://www.apec.org/publications/2026/01/research-and-survey-on-the-dispute-prevention-and-mitigation-system-in-apec-economies

This report analyses mechanisms in APEC economies that serve as one-stop contact points for receiving grievances and complaints from foreign investors, aiming to address issues early and prevent escalation into formal investment disputes. It examines the legal frameworks establishing these mechanisms and proposes a checklist of considerations for economies designing or improving similar contact points and coordination mechanisms.

Findings & Recommendations

A number of economies in the world have established mechanisms which are designed to address grievances and complaints of foreign investors at an early stage to prevent and mitigate the risk of escalation into formal investment disputes. Such mechanisms may have been established either on an economy's own initiative under domestic legislation, or pursuant to agreements with other economies for the promotion and protection of foreign direct investments (investment agreements).

This project aimed to identify such dispute prevention and mitigation mechanisms established by APEC economies, analyse their legal bases, powers and functions and, to the extent that information is available, assess their past performances in addressing investors' grievances and complaints. It specifically focused on two types of dispute prevention and mitigation mechanisms, namely (1) those which serve as a one-stop contact point for receiving grievances and complaints directly from foreign investors; and (2) those which initiate actions to resolve such grievances, or are otherwise involved in the grievance resolution process, including through coordination between different authorities.

This report analyses 10 mechanisms established by seven APEC economies —Chile; China; Korea; Mexico; Peru; the Philippines; and Thailand—pursuant to domestic legislation, as well as mechanisms that are required or encouraged to be established pursuant to investment agreements between two or more APEC economies.

Key findings and takeaways are as follows:

- There is no set pattern among the practices of APEC economies, and diverse mechanisms are constituted in different institutional models and perform a range of functions. For example:
  - some mechanisms are semi-independent, some are units within a single authority, others are inter-authority coordination bodies.
  - some mechanisms are empowered to direct responsible authorities, others involve responsible authorities in the decision-making process.
  - some mechanisms are empowered to lead negotiations and consultations with investors, others facilitate discussions between investors and responsible authorities.
  - some mechanisms are empowered to issue recommendations, while others give some directions that may in reality need to be complied with.

- Based on the available evidence, none of the surveyed economies have established mechanisms under domestic legislation to dispense with investment arbitration or deprive investors of their entitlement under applicable investment agreements to go to arbitration. No mechanisms have been offered as alternative to investment arbitration. To date, none of them have required investors to choose between investment arbitration and domestic mechanisms. Again, based on the available evidence, investors are not required in those surveyed economies to exhaust the available domestic mechanisms before submitting disputes to investment arbitration.

- While publicly available information is limited, there is some indication that the existence of such mechanisms is not widely known among foreign investors and there are only a few instances where investors' grievances and complaints regarding the treatment of their investments were successfully addressed by established mechanisms, without being escalated to investment arbitration. At the same time, no available evidence indicates that the types of dispute prevention and mitigation mechanisms that are analysed in this report negatively affected the prospect of early resolution of disputes. Nor is there any publicly available evidence that the performance of such dispute prevention and mitigation mechanisms was criticised (or worse, gave rise to a separate claim) by foreign investors.

- There is no list of "best practice" or a one-size-fits-all approach to establishing a mechanism for receiving and addressing investors' grievances and complaints, or to coordinating the government's efforts in preventing and mitigating investment disputes. This report does not purport to prescribe any particular form, and no recommendation in this report should be understood as a prescription for a successful implementation. A dispute prevention and mitigation mechanism needs to be designed to fit the particular constitutional arrangements, political and administrative system and culture of each economy, as well as any investment agreements which it concludes.

- The analysis of the mechanisms established by APEC economies has nevertheless identified the following points that economies may wish to consider when designing or improving a one-stop contact point and/or coordination mechanism:

01 Recipient of grievances: one-stop contact point or responsible authority?	**02** Separation from the responsible authority?
03 Ombudsperson system?	**04** Separation from investment-promotion agencies?
05 A moderator/facilitator or a decision-maker?	**06** Binding decisions or recommendations?
07 Involvement in the pre-notice of intent stage?	**08** Utilisation of existing mechanisms under investment agreements?

- Domestic mechanisms for preventing or mitigating investment disputes should be a complement to investment arbitration. Domestic mechanisms for prevention and mitigation of investment disputes cannot resolve every type of disputes that may be brought to investment arbitration for final resolution.

- Dispute prevention is a broad concept, and a series of measures can be adopted for that purpose, in addition to establishing a one-stop contact point and/or a coordination mechanism. Such measures may include:
  - assisting different branches of an economy in understanding their obligations towards foreign investments (e.g., through training programmes)
  - recording the reasons behind adopting or amending legislation or specific administrative actions affecting investors
  - providing investors with a reasonable opportunity to express their views
  - allowing both foreign and domestic investors to use dispute prevention and mitigation mechanisms.

- Dispute prevention and mitigation mechanisms have the potential to provide both economies and investors with concrete and practical advantages. If well designed and effectively implemented, they could facilitate quicker and more amicable resolution of grievances, help lower legal costs and risks, improve investors' ability to navigate government processes, and contribute to a more predictable and stable business environment.

Pursuing Investment Facilitation and Quality in APEC

Link: https://www.apec.org/publications/2025/12/pursuing-investment-facilitation-and-quality-in-apec

This policy brief examines recent developments in investment facilitation measures, introduces the updated Investment Facilitation Action Plan (IFAP) 2025, and suggests future directions for APEC economies to enhance their business environment and attract quality investment.

Findings

Recent developments in investment facilitation measures. The global landscape of domestic investment policies has increasingly prioritised facilitation measures to attract FDI, with policies such as digital streamlining, transparency, and facilitation services growing rapidly—currently accounting for 25–40% of investor-favourable measures.

In February 2024, WTO members participating in the Investment Facilitation for Development (IFD) negotiations finalised the IFD Agreement. This plurilateral Agreement, binding on members that accept it, has the backing of over 120 WTO members, representing three-quarters of the WTO's entire membership. The Agreement contains at least four pillars of measures or policy areas: (1) transparency of investment measures, (2) streamlining and speeding up administrative procedures, (3) focal points, domestic regulatory coherence and cross-border cooperation, and (4) sustainable investment.

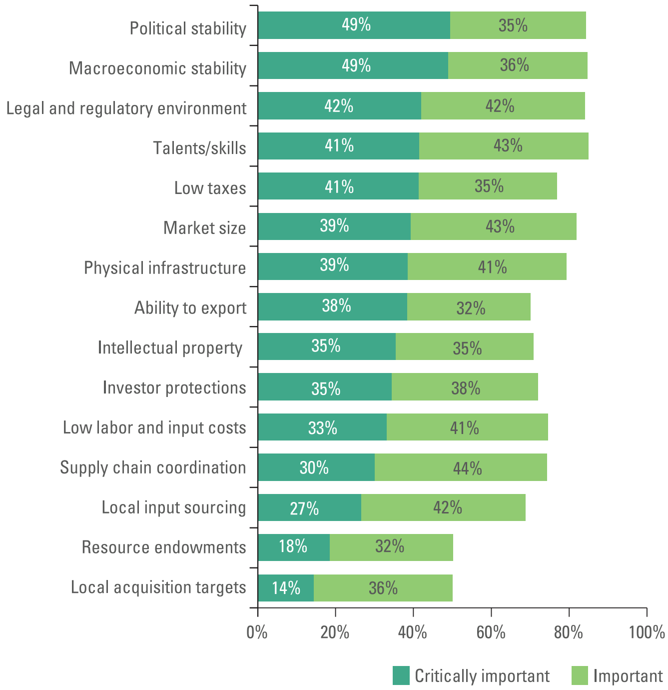
Evidence from the World Bank's new Business Ready Index underscores a global trend: economies are increasingly leveraging digital technologies and e-government solutions to streamline information provision and administrative procedures, thereby enhancing efforts to facilitate investment. However, certain economies continue to face significant challenges in merging applicable processes into a main platform.

In addition, most new policies for establishing one-stop shops still emphasise physical facilities over virtual ones, which highlights the need for greater adoption and effective use of digital facilitation tools to maximise their benefits in the investment landscape. The labyrinth of administrative procedures for business regulations covers a wide array of areas—including the steps required to start a business, the digitisation of government-to-business services, licensing and inspection regimes, and contract enforcement—all designed to address a wide range of public policy objectives, from the protection of property rights to consumer safety and environmental concerns .

While these regulations and procedures inevitably impose costs on businesses, they also serve as gatekeepers of quality and safety, ensuring that businesses adhere to the highest standards to protect consumers. Focal points and regulatory coherence address the institutional aspects of investment facilitation. Moreover, institutional factors such as the legal and regulatory environment are considered "critically important" by 42% of investors in a World Bank survey. It is second only to political and macroeconomic stability. Moreover, empirical evidence indicates that multinational enterprise affiliates experiencing legal and regulatory obstacles are more likely to reduce or withdraw investments in the future.

Overall determinants of investment location decisions (% of respondents)

Question: How important were the following factors in your parent company's decision to invest in this economy?



Source: Abhishek Saurav and Ryan Kuo. "The Voice of Foreign Direct Investment". (Washington, D.C.: World Bank Group).

Recent research highlights that while many economies have made progress in enacting regulations to improve the domestic business climate, they often fall short in delivering the public services and institutional support required to translate these reforms into tangible outcomes—revealing a significant implementation gap. At the same time, economies across different income levels have shown that it is possible to build strong regulatory frameworks, underscoring the potential for any economy to establish a robust legal and institutional foundation that enhances its overall business and investment climate.

<u>Trends in investment facilitation and sustainable growth in International Investment Agreements (IIAs).</u> A UNCTAD report on sustainable development and investment facilitation among IIAs concluded by G20 members indicates that over 70% of these recent agreements now incorporate facilitation provisions aimed at improving the regulatory environment and promoting transparency, compared with a meager 3% of treaties prior to 2010. This marks a notable shift from a sole focus on investment protection towards more comprehensive investment facilitation frameworks in contemporary treaty practice.

The UNCTAD report also found that IIAs increasingly incorporated a diverse range of investment facilitation commitments between 2015 and 2023:

- Transparency measures appear in 54% of these agreements, making them the most prevalent commitment.
- 46% of IIAs establish an institutional framework for cooperation, while 37% facilitate the entry and stay of personnel.
- Other notable provisions include creation of focal points for investors (17%), objective application of investment-related measures (22%), and granting investors the right to comment on proposed regulatory measures (30%).
- Additional features, such as commitments to regulatory practices and coherence (14%) and proactive provisions for sustainable investment issues (24%), including environmental considerations, further underscore the comprehensive nature of these facilitation measures.

<u>Lessons learned from IFAP Implementation.</u> The eight IFAP principles have been crucial in guiding economies through turbulent times. APEC's performance has shown signs of progressive recovery since the pandemic and less volatility over 2020–2024 compared to other regional groupings. Recent indicators have reaffirmed investor confidence in the APEC region:

- In 2023, APEC economies made up half of the top twenty host economies in terms of FDI inflows.
- More recently, APEC is home to 47 of the top 100 non-financial multinational enterprises.
- The Kearney FDI Confidence index shows that 11 out of the top 25 economies in terms of investor confidence are APEC economies.

This strong global position in the APEC region can be attributed to government efforts in the following key areas: (1) transparency, predictability, and consistency of investment policies; (2) adapting digital technology; (3) proactive stakeholder engagement; (4) improving investment quality; and (5) international cooperation and knowledge sharing for facilitating investment.

Additionally, regular monitoring of IFAP implementation is vital for detecting risks early and sharing best practices among APEC economies. Since the adoption of IFAP, regular reviews of its implementation have provided important insights related to investment performance and trends in the region and globally. They are also useful in helping to detect imminent risks that can affect the economic and investment prospects in APEC economies. Moreover, these reviews have facilitated knowledge sharing and the evaluation of investment facilitation measures by APEC economies.

<u>The Updated IFAP (2025).</u> APEC recently updated IFAP to promote quality investment by aligning with global standards and responding to evolving investor needs. The updated framework builds upon the original 2008 version and incorporates enhanced measures to improve transparency, streamline procedures, embed sustainability, and foster responsible business practices. The updated IFAP is guided by eight principles:

1. Promote accessibility and transparency in investment-related policies.
2. Improve the efficiency and effectiveness of investment applications and procedures.
3. Develop a business-friendly investment environment.
4. Build constructive relationships and engage meaningfully with stakeholders.
5. Enhance stability in the investment environment, security of property, and protection of investments.
6. Promote sustainability and responsible business conduct.
7. Foster quality investment to enhance sustainable economic growth for all.
8. Establish monitoring and review mechanisms for investment policies.

To implement the updated IFAP, APEC members should build upon their earlier achievements, which have significantly enhanced investment climates across APEC economies.

Recommendations

To translate the updated IFAP principles into tangible outcomes, APEC economies can prioritise a set of high-impact actions that address persistent bottlenecks and unlock new opportunities for quality investment. By working in tandem with complementary domestic policies, these measures will not only enhance transparency and efficiency but also strengthen inclusivity and sustainability in the investment environment.

Those actions may involve the following:


Strengthen public consultation mechanisms


Enhance value for money of online portals


Promote RBC & IRBI*


Develop dispute prevention mechanisms


Support all investors

*RBC: responsible business conduct
IRBI: inclusive and responsible business and investment

Economic Driver 1: Trade and Investment

- Strengthen public consultation mechanisms. Enhancing stakeholder engagement is critical for ensuring that investment-related policies remain transparent, predictable, and responsive. Economies are encouraged to broaden the reach of public consultation mechanisms so that draft policies are accessible online with a clearly defined feedback window. This approach improves policy coherence, incorporates diverse perspectives early in the policy process, and builds investor confidence in regulatory stability.

- Enhance value for money of online portals as comprehensive single windows. Digital transformation remains at the heart of modern investment facilitation. It calls for upgrading online portals to function as fully integrated single windows that allow seamless data exchange and simultaneous processing across government agencies. This integration reduces administrative delays, lowers compliance costs, and improves the ease of doing business for all investors. UNCTAD reports that the initial cost of an information portal ranges from USD 250,000 to USD 500,000, while a single window may cost between USD 500,000 and USD 1 million, depending on its scope. Any expenditure should be carefully evaluated to ensure a positive return on investment, thereby promoting efficiency in public finance or other public-private partnership arrangements.

- Develop dispute prevention mechanisms. Proactive dispute prevention measures—such as investment ombudspersons, investment promotion agency aftercare units, and dedicated grievance-handling processes—can address investor concerns before they escalate into disputes. Early resolution not only reduces legal costs and time burdens but also strengthens trust between investors and host economies.

- Promote RBC and IRBI. APEC economies should raise awareness and encourage the adoption of internationally recognised RBC standards. Developing economy-wide action plans to guide implementation will help embed sustainability into investment strategies. These efforts ensure that economic gains are accompanied by social and environmental benefits, enhancing the long-term value and resilience of investments.

- Support all investors. To encourage broader participation, certain actions need to focus on targeted programs to support MSMEs and other disadvantaged groups in accessing investment, finance, technology, and international markets. Strengthening policies to promote entrepreneurship and participation in supply chains contributes to more inclusive growth and expands the pool of potential investment projects.

Effective implementation requires targeted capacity building, peer learning among economies, and the sequencing of reforms to address quick wins while planning for more complex changes. Technical assistance, coordinated monitoring, and stakeholder engagement are critical to success.

As economies have different domestic priorities and reform capacities, a simple checklist guide could help policymakers, investment promotion agencies, and stakeholders to assess proposed reforms or initiatives. By reviewing each potential action on three dimensions—impact, feasibility, and sustainability—such a guide supports evidence-based prioritisation and resource allocation.

Impact	Feasibility	Sustainability
Effect on investors and competitiveness of the economy	Ease of implementation	Alignment with SDGs

There could be inevitable trade-offs between pursuing high-impact reforms and ensuring ease of implementation. Economies must weigh these choices carefully against their existing institutional capacity, infrastructure readiness, and domestic resource constraints. For instance, efforts to upgrade online portals into comprehensive single windows can deliver impactful efficiency gains but often involve steep financial costs, advanced digital infrastructure, and strong inter-agency coordination. Success also depends on building government capacity through training and change management, as well as securing early buy-in from the business sector to encourage adoption. Without these enabling conditions, even well-designed reforms may face delays or resistance during implementation.

Moving forward, it will be essential to monitor and evaluate the implementation of investment facilitation measures to ensure that APEC economies maintain their global leadership in attracting quality investment. This sustained effort will not only reinforce the region's competitive and innovative edge but also drive broad-based and sustainable growth.

Economic Driver 2: Innovation and Digitalisation

Digital Trade and Technologies

Promoting the Utilization of Paperless Trade Platforms in the Post COVID-19 Era

Link: https://www.apec.org/publications/2025/05/promoting-the-utilization-of-paperless-trade-platforms-in-the-post-covid-19-era

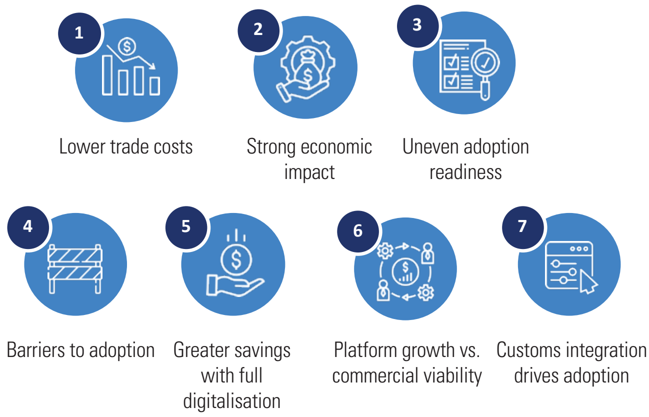
This study examines opportunities for paperless trade and the enablers of successful paperless trade platforms, aiming to identify gaps and opportunities for policymakers to promote adoption. It also addresses a gap in the literature by gathering firsthand evidence from exporters on the use of public and commercial paperless platforms across eight APEC economies.

Findings

As the volume and importance of trade to APEC economies increases, it becomes more essential to improve trade efficiency to continually harness international trade for growth and development. In particular, there is an opportunity to leverage paperless trade platforms to digitalise the trade process. Existing literature have established a relationship between trade facilitation measures (such as paperless trade and trade agreements) and trade cost reductions. In turn, lower trade costs make it more favourable for economies to engage in cross-border trade, increasing trade flows and stimulating greater economic activity.

Against this background, it is timely to understand the opportunities for paperless trade and the enablers of successful paperless trade platforms, and to identify the gaps and opportunities for policymakers to promote adoption. While most existing research that look at the opportunities for paperless trade took a top-down approach, this study contributes to the field by collecting empirical evidence on the impact of public and commercial paperless trade platforms through the exporters' perspective. It focuses on the economic contribution of eight public and 31 commercial platforms in eight APEC economies from different geographical regions ('in-scope economies'): Canada; Chile; China; Korea; Mexico; Peru; Singapore; and the United States. The aim is to support APEC policymakers in making evidence-based policy decisions when considering the design of policies to promote adoption of paperless trade platforms.

The research has uncovered several key insights for the eight in-scope economies, also relevant to policymakers in the broader APEC region:



- The adoption of paperless trade platforms, including both public and commercial platforms, reduced exporting firms' total trade costs by 3.8% on average. These cost savings pertain to costs associated with border compliance and time in transit. Firms see average cost savings of 6.7% in undertaking border compliance processes, leading to a 1.7% reduction in firm level trade costs. In addition, shorter time was spent in transit due to the adoption of paperless trade platforms, leading to average reduction in trade costs by an additional 2.1%.

- In 2021, the adoption of paperless trade platforms, including both public and commercial platforms, contributed USD 383 billion in value added to the eight in-scope economies, equivalent to around 0.8% of their aggregate GDP. Around USD 105 billion of the economic contribution was from the direct effects of production activities undertaken by industries to produce the goods and services that were exported; more than USD 78 billion was attributed to the indirect effects from the production activities of industries along their supply chain; and almost USD 200 billion was attributed to the consumption induced effects from workers in those industries that increased their spending as their incomes rose. This economic activity supported more than 8.5 million jobs across the eight in-scope economies.

- APEC economies differ in their level of readiness to maximise paperless trade adoption. The level of readiness of individual economies to adopt paperless trade measures depends on (1) the availability of quality ICT infrastructure for users to adopt new IT systems or services or be able to maximise the advantage of going paperless, and (2) prior experience in integrating digital technologies by trade stakeholders, proxied by the digital intensity of the economy (the share of the economy's intermediate and capital inputs that come from digital sectors). The analysis suggests that the eight in-scope economies differ in their level of readiness to maximise paperless trade adoption.

Economic Driver 2: Innovation and Digitalisation

- Switching costs and the digital skills gap are the key barriers to exporters for adopting commercial paperless trade platforms. The research revealed that high monetary costs of switching to commercial paperless trade platforms and the lack of sufficient digital skills to navigate them were the main deterrents to adopting paperless trade platforms. Survey respondents have indicated that initial switching costs incurred can be quite substantial – on average, switching costs are equivalent to 20% of an organisation's annual costs. Among exporters that use paperless trade platforms, the overall digital skill levels of employees who use paperless trade also tends to be lower for SMEs on average. This might affect the ability of smaller exporters to fully utilise all available features of paperless trade platforms.

- Cost savings for exporters are higher if they digitalise all key components of the trade process. The research also revealed that exporters who use paperless trade platforms across all five components of the trade process report that they experience larger percentage border compliance cost savings on average, to the tune of 8–9%. This was observed for both SMEs and larger firms, and across exporting destinations that exhibit varying levels of paperless trade implementation. Interestingly, adopting paperless trade for one more trade process component might not necessarily lead to higher cost savings, if some part of the trade process is still completely manual.

- There is room for commercial platforms to further support growth in paperless trade. Commercial platforms vary widely in their reporting of network coverage and user adoption. Rates of adoption of electronic Bills of Lading (eBLs), however, show that eBLs are used in only a small fraction of total global trade, estimated in the low single digits. WaveBL states that it has issued more than 545,000 eBLs and covers 65% of the eBL market but this remains just a fraction of the 45 million Bills of Lading (BLs) issued a year.

- Increasing user adoption of commercial platforms can lead to substantial growth in adoption of paperless trade but will have to be balanced against the pressure to be commercially viable for multiple stakeholders, as seen in failures such as TradeLens. There are encouraging signs that this remains possible; platforms such as CargoWise and IQAX eBL are performing extremely well on both growth and profitability, while venturebacked platforms such as MineHub already exhibit clear paths to profitability.

- Commercial platforms that provide services to simplify customs processes will likely be more successful at driving user adoption. Insights from both survey responses and expert interviews revealed that the ability to simplifying compliance processes for trade documents, export permits and trade finance was most impactful in motivating user adoption. Several commercial paperless trade platform providers indicated that onboarding regulatory authorities and offering Single Window linkage were key differentiators that successfully spurred user adoption. Nonetheless, they acknowledged that there are practical limitations as these linkages can be time- and cost-intensive to set up – linking a platform to a government system is a bespoke undertaking that can often take 6–12 months per customs system.

Recommendations

Based on the above insights, a review of regional best practices and ongoing developments in APEC, five recommendations were identified under two policy pillars for policymakers in APEC to promote greater adoption of paperless trade platforms.

	Promote the business case for paperless trade adoption		Foster interoperability within the paperless trade ecosystem
Pillar 1	Provide government support for employee upskilling Demonstrate the financial benefits of paperless trade adoption for businesses Drive legal recognition of electronic documents	Pillar 2	Promote alignment of electronic formats, syntax, nomenclature and standards Promote interoperability across commercial platforms

Pillar 1: Promote the business case for paperless trade adoption

- Provide government support for employee upskilling to facilitate paperless trade adoption. Businesses have diverse options to participate in paperless trade in several ways – platforms are one way to do so, alongside commercial providers that assist in the trade process. Regardless of the mode chosen by businesses, it would be beneficial to ease barriers to adopting paperless trade in a manner that is solution- and provider-agnostic to enable free and competitive markets. For platform adoption more specifically, the research found that the large initial investment required to upgrade computer hardware and software and to reskill employees form the main barriers to adoption for businesses, especially for SMEs with less resources. With initial switching costs a key factor, governments and solution providers may consider prioritising training and upskilling workers to be able to fully utilise commercial paperless trade platforms, and to choose the best one for their companies. Other recommendations include easier access to expert consultants, capacity training programmes for businesses and their employees (e.g., Certificate in Digital Trade Strategy by International Chamber of Commerce (ICC)), and organised exhibitions to help private sector companies showcase their solutions for paperless trade to prospective users.

- Demonstrate the financial benefits of paperless trade adoption for businesses. Policymakers can better articulate the cost savings and advantages of paperless trade adoption for businesses to shift industry attitudes towards trade digitalisation. An example of a recent initiative includes the Ecosystem of Trust pilot reported by the UK government, which demonstrated that decision-making time for goods entering Britain could be reduced by 17%. Such studies help businesses visualise their returns to investing in paperless trade implementation in tangible terms, especially in relation to the upfront and ongoing costs required to use paperless trade platforms.

- Drive legal recognition of electronic documents. The lack of full legal recognition for electronic trade documents or transferable records (e.g., BLs) in some economies generates uncertainty among exporters and other stakeholders that electronic records will be able to hold up in court in the event of disputes and may hinder the switch towards paperless trade processes. Policymakers should adopt legislation that recognises digital documents and transferable records in law and encourage adoption of electronic documents within specific industries. In addition, supporting legal frameworks, such as laws to ensure legal validity of digital signatures or for data protection, need to be in place to facilitate trust in the paperless trade process among stakeholders.

Pillar 2: Fostering interoperability and integration within the paperless trade ecosystem

- Promote alignment of electronic data formats, syntax, nomenclature and standards. Establishing compatible data formats, syntax, nomenclature and standards across different paperless trade systems would increase the efficiency of paperless trade, thereby further reducing costs. It would ensure that the same set of information submitted in one platform could be seamlessly transferred to another platform between the export origin and the import destination, hence reducing the need for duplication and re-entry. This would support greater interoperability between different paperless trade systems by facilitating the sharing and tracking of data across the entire supply chain. The lack of compatible data definitions across disparate organisations was an issue repeatedly raised by interviewees as a barrier to paperless trade. Initiatives like the ICC Digital Standards Initiative play a vital role in the data alignment process, by promoting a shared understanding and standardised data exchange practices across the supply chain. To ensure the authenticity and verifiability of electronic documents, technological mechanisms to establish digital trust will also be essential.

- Promoting interoperability across commercial platforms. Despite the fact that exporters tend to use more than one platform when digitalising their trade process, many paperless trade platforms are not interoperable with one another. This means that an exporter using multiple platforms might have to repeatedly enter the same data multiple times into different systems, lowering the productivity benefits from paperless trade adoption. Effort should be made to ensure interoperability between platforms and applications without limiting their design or operation (i.e., technology neutrality). Interoperability should allow for innovation. The aim should be to ensure systems can work together, not that they be exactly the same. Potential approaches to promote interoperability could rely on international standards developed through open and transparent processes. Other options could add trusted third parties or intermediaries that are accepted internationally. International acceptance is important when the goal is making global transactions seamless for traders. Additional opportunities are expected to develop as paperless trade becomes more prevalent. For instance, IQAX eBL has developed its Interoperable Addendum to allow for inter-platform transfers of eBLs with other system providers, as long as the transfer is to a platform approved by the International Group of Protection and Indemnity (P&I) Clubs for marine liability coverage, and the eBL is governed by the law of a jurisdiction that has accepted eBLs as equivalent to paper-based BLs.

Navigating Artificial Intelligence Landscape in APEC: Balancing Development and Oversight

Link: https://www.apec.org/publications/2025/04/artificial-intelligence-landscape-in-apec--balancing-development-and-oversight

This policy brief reviews the benefits and challenges of artificial intelligence (AI) development and adoption, examines governance efforts in the region, and considers APEC's potential role in promoting greater alignment and cooperation.

Findings

Benefits and risks of AI. AI's versatility allows it to be used across domains. AI can (1) translate languages, summarise texts, answer questions, and analyse sentiment, enhancing interactions between humans and computers; (2) assist with image recognition and object detection, enabling more informed decision-making, sometimes in real-time; and (3) analyse vast amounts of data, identify patterns, and distil information.

In production processes, AI analytics and predictive capabilities can enhance firms' competitiveness in the global market by addressing

Economic Driver 2: Innovation and Digitalisation

inefficiencies, providing more accurate demand forecasting, and creating new revenue opportunities. As AI capabilities become more general-purpose, its applications have expanded across numerous sectors. For example, financial institutions use AI as virtual agents to handle customer inquiries and complaints, manage portfolios, and detect frauds.

The trade landscape is increasingly being reshaped by AI through its impacts on the global value chains. Firms can (1) leverage AI tools to better manage their supply chain risks by enhancing visibility beyond direct and second-tier suppliers; (2) restructure production links as increased automation alters the cross-border division of labour, potentially encouraging the onshoring of production; and (3) reduce trade costs using AI through its ability to optimise logistics flows and navigate complex trade regulations. The emergence and surge of AI also create new demand for AI products, supporting the trade of AI-related goods and services, and attracting skilled talents.

Despite its significant benefits, the rise of AI presents several challenges. AI systems use layers of algorithms and vast datasets, making the rationale behind their outputs unclear, even to developers. The complexity of AI models enables firms to claim plausible deniability in anti-competitive practices. Additionally, AI has been employed to spread misinformation through automated bots and deepfakes, and it can be a tool for discrimination and unlawful surveillance. Concerns have also been raised about AI's role in intellectual property (IP) infringement, posing considerable risks to the creative economy.

Another aspect that heightens AI risks is the generally high cost of developing AI systems. This could lead to higher market concentration, with recent findings showing that over 90 partnerships and strategic investments involve the same few major players. Sectors in AI-supporting services are also subject to such market consolidation.

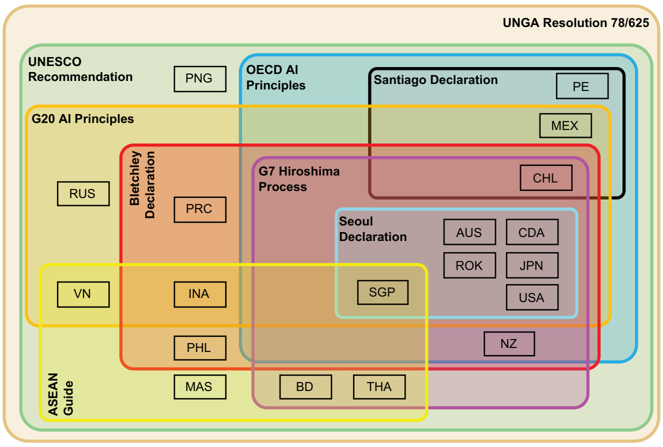
Access to data is crucial to level the playing field among developers and has become one of the key bottlenecks in AI development. The combination of limited data access and high AI development costs could deepen the digital divide, exacerbating disparities between and within economies, communities, and socioeconomic groups.

Role of policies. Policies can play a crucial role in maximising the benefits of AI while mitigating its risks and limitations. Recognising this, APEC economies have implemented or are in the process of establishing laws, regulations, and other instruments of governance focused on AI. These evolving initiatives are being developed alongside efforts by the international community to agree on global frameworks for AI governance.

- International regulatory activities on AI. Global and regional initiatives aimed at regulating AI are on the rise. Several key initiatives now involve participation from APEC economies. Nevertheless, there are no initiatives within the APEC region that carry binding legal authority. Outside APEC, only the Council of Europe has developed a framework convention on AI with legal authority and is open for parties outside Europe to join.

- Other initiatives are categorised as "soft law", which, while non-binding, set important benchmarks and facilitate international cooperation towards AI governance. A notable example is the OECD AI Principles, which emphasise foundational principles such as inclusive growth, sustainable development and well-being; transparency and explainability; robustness, security and safety; and accountability. These principles have significantly influenced various global and regional frameworks and greatly contributed to the shaping of domestic AI legislations. Participation in these initiatives varies among APEC economies (see figure).

Participation of APEC economies in selected global AI governance frameworks



Note: Figure only includes APEC economies that are part of these initiatives. Participation in this context is broadly defined as concurrence, adoption, adherence, or endorsement of the governance frameworks by economies, or by virtue of their full membership in host institutions. Economies may or may not be bound by these frameworks.
Source: Authors' compilation.

- AI-specific provisions in Free Trade Agreements (FTAs) and Digital Economy Agreements (DEAs). The Australia - Singapore Digital Economy Agreement of 2020 is the first agreement which includes an AI specific provision. Since then, AI provisions—often presented as dedicated articles— have appeared in at least eight additional FTAs or DEAs with the latter focusing exclusively on digital trade. Notably, six out of the nine agreements involve at least one APEC economy as a participant.

  The AI provisions in FTAs and DEAs underscore key regulatory trends, highlighting the increasing importance of AI in the digital economy. These are: (1) economic benefits of AI; (2) ethical AI governance frameworks; (3) alignment with international principles; and (4) risk-based regulatory approaches.

  Overall, agreements that include AI-specific provisions acknowledge the transformative potential of this technology and its inherently cross-border nature. There is a clear trend towards framing AI use ethically while promoting its role in driving economic growth. As AI governance continues to evolve, these agreements emphasise cooperation over strict rulemaking, which is understandable given that many jurisdictions still lack dedicated laws. The establishment of bodies like the Australia - UK Strategic Innovation Dialogue demonstrates a concrete commitment to fostering future cooperation on AI through institutionalised mechanisms.

- Regulatory activity in APEC economies: moving from principles to practice. As international frameworks and selective AI cooperation efforts within FTAs and DEAs continue to evolve, APEC economies have developed or are in the process of developing laws, regulations or guidelines specifically aimed at regulating AI. The rapid advancement of AI technologies—particularly GenAI—and their widespread adoption have created a new sense of urgency around regulation, and it is likely that more economies may join the bandwagon of considering dedicated regulations in this area. Given the dynamic nature of AI, particularly GenAI, economies are likely to adopt a variety of approaches, including dedicated regulations, self-regulatory measures, or a combination of both, as they develop policy frameworks for AI. Those measures can be complemented by non-regulatory initiatives.

Various forms of domestic AI frameworks in APEC economies

Dedicated AI laws and regulations

Actively considering dedicated AI laws or regulations

Relying on existing statutes and regulations, or self-regulation by users and developers

Recommendations

With the rapid advancement in AI technologies, the need for interoperable regulations has never been more pressing. By enhancing regional cooperation, APEC can ensure that the benefits of AI are harnessed responsibly and ethically for sustainable economic growth. Possible activities that could be undertaken under the ambit of APEC are as follows:

- Share good practices on putting AI principles into practice. APEC can continue to excel as a platform for sharing and promoting good practices through workshops, seminars and collaborative projects. Moving forward, APEC can focus its efforts on helping economies translate theoretical principles into actionable policies and practices. This includes developing model guidelines and frameworks to ensure that AI use is ethical, transparent, and accountable among others.

  To facilitate AI-linked trade and investment in the region, it is crucial to promote the interoperability of these laws and regulations. Moreover, by showcasing successful case studies and innovative approaches from both within and outside the membership, APEC can encourage the adoption of effective AI governance models that align with international standards. This collaborative effort can enhance the maturity of AI ecosystems across the region, in turn fostering greater trust and public confidence in AI technologies.

  Furthermore, APEC economies can support the development of certifications, or a risk-based framework grounded in common principles for AI governance. Different standard-setting organisations, such as the International Organization for

Standardization / International Electrotechnical Commission (ISO/IEC), are developing technical standards to ensure the transparency, accountability, and bias mitigation of AI systems. There are also ongoing developments in domestic legislation regarding watermarks that might help identify AI-generated material.

- Act as a forum for increased transparency on AI regulatory activity. The APEC Digital Economy Steering Group's Data Privacy Subgroup includes a regular agenda item in its meetings for economies to voluntarily report on relevant data privacy developments. This practice facilitates continuous monitoring of data privacy regulations across APEC economies, thereby promoting transparency and experience sharing. A similar reporting mechanism could be beneficial in the context of emerging AI governance.

  While there are efforts to track ongoing AI regulations in other forums, such as the WTO, there has been limited interest by WTO members in notifying forthcoming AI laws to the Technical Barriers to Trade (TBT) committee. Increased transparency and experience sharing about ongoing regulatory developments will help clarify how and in which areas AI regulation may raise trade concerns. The institutional mechanisms already in place in APEC can contribute to alleviating these concerns.

- Expand commitments on AI in FTAs and DEAs. In addition to international initiatives, FTAs and DEAs offer valuable avenues for economies to set a collaborative agenda on AI issues. By integrating AI-specific provisions, APEC economies can align their regulatory goals and approaches to AI development and deployment. This may include agreeing on common principles, establishing standards for AI technologies, promoting interoperability, and facilitating cross-border data flows essential for AI applications. APEC economies can leverage FTAs' digital trade chapters and DEAs to foster a more collaborative environment, and importantly, to mitigate existing and potential trade barriers arising from varied domestic regulations.

- Foster mutual understanding and build consensus around AI-related issues (e.g., AI standardisation, IP). AI has transformed many previously domestic issues into significant cross-border challenges. A prime example is IP infringement related to AI technologies. Despite the cross-border nature of AI development and deployment, enforcement related to IP rights infringement continues to be primarily territorial. APEC can play a vital role in facilitating discussions among member economies to share approaches for adapting IP legal frameworks for AI, including compensation mechanisms for creators when their works are used to train AI systems. This could also involve the development of regional collaborative frameworks that not only safeguard the rights of IP holders but also encourage the responsible and ethical use of AI.

- Ensure inclusion in AI-related policies and initiatives. Inclusion should be a cornerstone of AI-related policies and initiatives as it promotes social cohesion and economic resilience in the face of rapid technological change. Engaging a diverse range of stakeholders is essential for the effective development of AI laws and regulations. APEC can facilitate this process by promoting inclusive dialogue among governments, industries, academia, and civil society to ensure that various perspectives are considered. This engagement is particularly vital in the context of self-regulatory approaches, as industry stakeholders have a crucial role in establishing practical and effective guidelines for AI use. Recognising that AI has the potential to widen the digital divide, APEC can advocate for policies and initiatives that enhance infrastructure and affordability to enable broader access to AI technologies.

Structural Reform

Enhanced APEC Agenda for Structural Reform (EAASR) Final Review

Link: https://www.apec.org/publications/2025/10/enhanced-apec-agenda-for-structural-reform-(eaasr)-final-review--executive-summary--conclusion-and-moving-forward

The EAASR, endorsed in 2021, guides APEC's structural reform through four pillars. The 2025 final review highlights progress since the 2023 mid-term review, showcasing both regional trends and economy-level initiatives.

Findings & Recommendations

The EAASR reaffirmed APEC's commitment to reform through four pillars:

Pillar #1
Creating an enabling environment for **open, transparent, and competitive markets**

Pillar #3
Ensuring that all groups in society have **equal access to opportunities** for more inclusive, sustainable growth, and greater well-being

Pillar #2
Boosting business **recovery and resilience** against future shocks

Pillar #4
Harnessing innovation, new technology, and skills development to **boost productivity and digitalisation**

The final review, like the mid-term review in 2023, follows a dual-track approach—assessing regional structural reform trends while highlighting the diversity of economy-level initiatives.

Status of inputs for the review. The final review of EAASR is not just a retrospective exercise—it is a forward-looking tool that supports reflection, learning, and planning as APEC continues to advance its structural reform agenda in a rapidly changing global environment. It draws on three sources of inputs:

- The 28 external indicators, endorsed by the Economic Committee (EC) in 2021, provide a regional overview of APEC's progress on structural reform. They help sustain reform momentum by highlighting positive trends or identifying areas needing attention and deeper policy dialogue. As of April 2025, there are 1 red, 14 orange, and 15 green indicators.*

  [* EAASR has 28 endorsed external indicators. However, the OECD CO2 productivity indicator and the ILO indicators on social protection have two components each, which have different colour classifications. All indicators are categorised into three colour classifications: Red: no baseline can be established (latest data predates 2019); Orange: a baseline can be established (data from 2019–2021), but no recent data is available to monitor progress; and Green: both a baseline can be established, and progress can be monitored (data extends to 2022 or beyond).]

- The EAASR Implementation Plan guides collective action through 2025 by outlining key actions, indicators, timelines, and areas for collaboration. The latest version (submitted to the EC1 2024 meeting) includes 46 initiatives, with 10 added following the mid-term review. Of these, 63% support multiple EAASR pillars, and 33% involve cross-fora collaboration. Nearly all initiatives (96%) align with innovation and digitalisation priorities under the Aotearoa Plan of Action, reinforcing EAASR's role in advancing APEC's broader Putrajaya Vision 2040, alongside support for other APEC priorities.

Total of 46 key initiatives/actions
of which 29 (63%) are cross-pillar

Percentage share of key initiatives/actions by pillar

Some featured sub-fora support
15 (33%) key initiatives identified collaboration (e.g., with FMP, GOS, SCSC, HRDWG, DESG)

100% for APA collective actions
of which around 96% contributes to economic driver #2 (innovation and digitalisation)

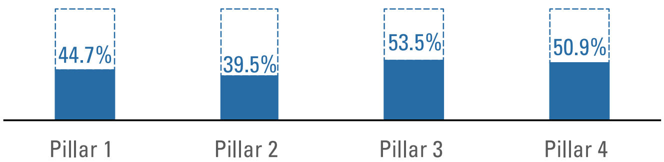
Contributed to other APEC goals
(e.g., La Serena Roadmap for Women and Inclusive Growth, and Bangkok Goals on Bio-Circular-Green Economy)

40.6% utilisation rate for EAASR Sub-fund
More than USD 1.3 million remain available as of Project Session 2 in 2025

- The EAASR Individual Action Plans (IAPs) enable economies to identify and update concrete initiatives supporting the agenda's four pillars. Since 2022, 20 economies have submitted IAPs, detailing 141 initiatives, with 18 providing progress reports for this final review. Updates were received for 116 initiatives, covering all four pillars, with many initiatives spanning multiple pillars. The reforms continue to focus on core structural issues like competition policy and law; strengthening economic and legal infrastructure; ease of doing business; regulatory reform; public sector governance; and corporate law and governance, accounting for 68.2% of initiatives, alongside increasing attention to supplementary structural reforms and supporting policies (27.1% and 49.5%, respectively).

18 economies provided updates on 82% of key initiatives (116 out of 141)

Percentage share of key initiatives by pillar



Close to 70% of key initiatives focused on core structural reforms
(e.g., competition policy and law, EoDB, regulatory reform, public sector governance, corporate law and governance)

Important role of supplementary structural reforms and supporting policies
27% and 50% of initiatives addressing these areas, respectively

Breadth and diversity of initiatives
(e.g., streamlining legal and administrative procedures, providing technical assistance on sustainability-related programmes, supporting MSMEs' digital transformation, maximising benefits of AI technologies)

Economic Driver 2: Innovation and Digitalisation

Progress and gaps. During the EAASR mid-term review, key findings and insights were identified to guide the next phase of implementation through to 2025. As the initiative concludes, it is timely to assess progress against these insights and extract lessons to inform the next structural reform agenda, positioning the EC to enhance the effectiveness and impact of future initiatives across APEC economies.

- Continue to improve the business regulatory environment, with a focus on the services sector. APEC has improved the business regulatory environment, particularly in the services trade. Complementary initiatives under the APEC Third Ease of Doing Business (EoDB) Action Plan have also advanced reforms in areas like credit access and business registration. However, significant challenges continue to limit openness in many services sectors, including restrictions on foreign entry and competition, and rising digital regulatory barriers.

- Create a thriving and conducive environment for innovation. APEC has fostered an innovation-friendly environment supported by strong R&D investment, entrepreneurial culture, and institutional frameworks. However, challenges remain in translating innovation inputs into tangible outcomes, due to relatively weaker intellectual property protection, uneven innovation ecosystem development, and unclear links between R&D spending and measurable outputs like patents or technology adoption.

- Enhance human capital development. APEC has advanced human capital development through higher tertiary enrolment, expanded reskilling programs, and efforts to better align workforce capabilities with shifting industry needs. However, the region still has room for improvements with regards to educational outcomes and advanced skill sets, and addressing divergent trends in STEM graduation rates, highlighting the need to strengthen lifelong learning, vocational training, and workforce adaptability.

- Strengthen economic empowerment and intensify efforts towards achieving economic growth for all. APEC has reduced employment disparities, lowered youth unemployment, and promoted workforce participation, supported by flexible work policies and expanded access to education. It has also advanced economic empowerment by implementing regulations that promote opportunities and improve tertiary enrolment rates for all. However, persistent youth unemployment, ageing populations, and legal barriers—such as those that hinder access to credit and pay—highlight the need for sustained policy efforts, capacity building, and structural reforms. These are essential to ensure full participation in the labour market, strengthen social safety nets, and address structural imbalances for all.

- Reinforce digitalisation efforts, including redoubling efforts to overcome digital divides. APEC has made progress in digitalisation through expanded internet access, improved broadband coverage, and the development of enabling digital ecosystems. However, challenges in facilitating digital services trade, uneven infrastructure, and gaps in digital literacy highlight the need for greater investment in capacity building, skills development, and policies to ensure participation for all in the digital economy.

- Continue investments to diversify energy sources. To further advance economic growth, APEC economies should increase investment in technologies, enhance resource efficiency, and strengthen institutional capacity.

- Revisit AEPR recommendations and better incorporate them into EAASR initiatives, including through mechanisms to support their institutionalisation. APEC has made meaningful progress in integrating recommendations from the annual APEC Economic Policy Report (AEPR) into its structural reform agenda, as demonstrated by the EC's collaboration with the Group on Services (GOS) on services reform and the launch of an implementation survey in 2024 to track progress and identify challenges. However, the incorporation of AEPR recommendations could be strengthened through more formalised, and consistent follow-up mechanisms within reporting and planning frameworks to ensure sustained impact and effective implementation.

- Build on completed initiatives through follow-up actions and propose new ones to address identified gaps. Good progress has been made, with 10 new initiatives added to the EAASR Implementation Plan following the mid-term review. These initiatives focus on various issues like good regulatory practices and financial access. However, gaps remain: only 40.6% of the EAASR Sub-fund has been utilised as of Project Session 2 in 2025. This presents an opportunity to launch targeted activities, maximise the use of remaining funds, and strengthen follow-up to enhance coherence and impact.

- Increase the share of initiatives involving cross-fora collaboration. 32.6% of initiatives identified in the EAASR Implementation Plan (including newly-added initiatives) involved cross-fora collaboration, reflecting ongoing efforts to promote synergies across APEC. However, this represents a slight decline from 35.1% at the mid-term review, indicating slowed momentum and the need to strengthen institutional linkages and joint planning to boost collaboration and enhance reform impact.

- Continue to ensure better synergy between EAASR and other APEC initiatives. Efforts to enhance synergy between EAASR and other APEC initiatives have continued, notably through EC-GOS collaboration, with joint dialogues and workshops integrating structural and services reform agendas. While many initiatives align with broader APEC priorities, there remains scope to further embed EAASR within broader APEC strategies through more coordinated planning, joint activities, and aligned initiative design to strengthen coherence and impact.

- Benefit from regular sessions that share lessons on implementation of structural reform efforts. Regular sessions have supported structural reform implementation by facilitating peer learning, with EC1 and EC2 meetings in 2024 focusing on good regulatory practices, sustainable economic growth, and reviewing EAASR-related activities. Expanding these engagements would enhance collective learning, address emerging challenges, and help maintain momentum and alignment in achieving EAASR objectives.

- Ensure EAASR reporting reflects potential benefits to the services sector. All economies submitting IAP final reviews identified at least one initiative benefiting the services sector, covering themes such as facilitating business conduct, promoting competition, enhancing the digital ecosystem, developing human capital, fostering innovation, investing in infrastructure, expanding market access, and improving access to government services. However, some reporting lacks sufficient detail, while others did not address the question at all, highlighting the need for clearer explanations, services-specific indicators, and enhanced capacity-building to better integrate and communicate services-related outcomes in EAASR initiatives.

- Make good use of qualitative and quantitative indicators, establishing baselines, combine broad and specific metrics, and leverage alternative data sources. Economies have effectively used qualitative and quantitative indicators to monitor EAASR initiatives, with some identifying clear baselines and tracking multi-year progress, though more frequent data collection could improve trend analysis. However, gaps remain where baselines and targets are unclear or absent, and greater use of disaggregated data is needed to assess outcomes, highlighting the importance of strengthening data practices and indicator frameworks for more accurate impact assessment.

Economic Driver 3:
Strong, Balanced, Secure, Sustainable and Inclusive Growth

Economic Empowerment

The APEC Women and the Economy Dashboard 2025

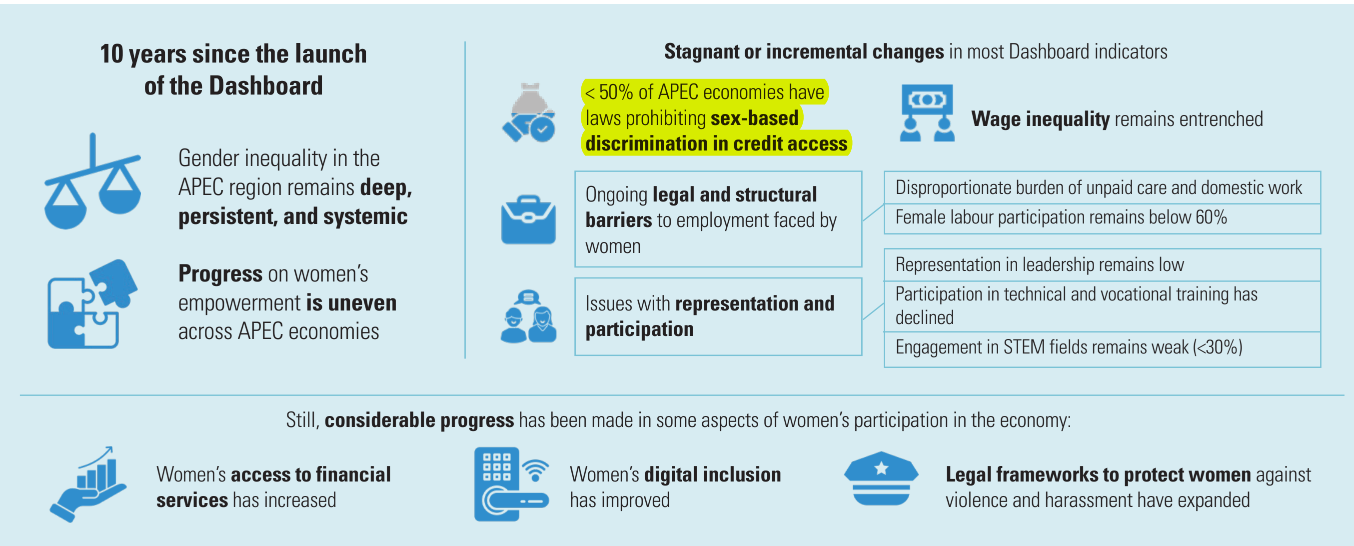
Link: https://www.apec.org/publications/2025/08/the-apec-women-and-the-economy-dashboard-2025

The APEC Women and the Economy Dashboard 2025 marks a decade since it was first launched to monitor progress on women's economic empowerment across APEC economies. The 2025 Dashboard comprises 92 indicators spanning 2008–2024. The report contains 22 dashboards, one for each of the 21 APEC member economies and another for the APEC region.

Findings

Monitoring movements in indicators in the last 15 years shows considerable progress in some aspects of women's participation in economic activity. However, most indicators have either been stagnant or shown incremental changes. Gender inequality across APEC economies remains deep, persistent, and systemic. Legal reforms, targeted policies, and sustained political will are crucial to dismantling barriers and ensuring women's full, equal, and meaningful participation and leadership in all facets of the economy.

- Progress on gender equality has been uneven across APEC. While access to finance and technology has improved for women, with notable gains in financial inclusion and digital access, persistent gaps remain in economic participation, leadership, safety, and legal protection.
- Women's access to financial services has improved, with formal account ownership increasing to 82% in 2021 from 59% a decade ago. However, fewer than half of APEC economies have laws prohibiting sex-based discrimination in credit access.
- Wage inequality remains entrenched, with women earning only 70% of what men earn on average. Progress since 2008, the base year when the Dashboard began tracking indicators, has been slow and inconsistent.
- Women face ongoing legal and structural barriers to employment, including restrictions on working in certain industries, lack of legal protections against workplace discrimination, and unequal pay legislation in most economies.
- Unpaid care and domestic responsibilities continue to fall disproportionately on women, limiting their opportunities for paid work, education, and entrepreneurship.
- Female labour force participation remains below 60%, with only a weak recovery following a significant drop during the COVID-19 pandemic.
- Women remain underrepresented in leadership roles, holding only around 28% of parliamentary seats and 22% of ministerial positions across APEC economies. Private sector leadership by women has also remained low, although data in this area has been incomplete for many years.
- Despite near gender equality in general education, women's participation in technical and vocational training has declined, limiting access to higher-paying, male-dominated industries that often require specialised skills and certifications, reinforcing occupational seggregation and wage gaps between women and men.
- Digital inclusion has improved, with women comprising 78% of internet users. However, their participation in STEM fields remains low at an estimated average of below 30% across APEC economies, while data on women engagement in R&D is sparse and inconsistent.
- Legal frameworks to protect women against violence and harassment have expanded, but data coverage, enforcement of these laws, and limiting social norms remain persistent issues across the region.



Recommendations

While the past decade or so has brought progress in several areas of women's economic participation across APEC economies, such as improved financial inclusion, expanded digital access, and near-parity in education, these advances have not led to consistent or equal outcomes. Persistent gaps remain in employment, wages, leadership representation, access to technical skills, and online safety, reflecting deep-rooted legal, structural, and social barriers.

One of the most critical challenges to advancing gender equality is the lack of comprehensive, disaggregated data, including by sex. Gaps in data—especially in areas like unpaid work, STEM participation, R&D roles, and female-led businesses—obscure the true extent of gender inequality and undermine the development of effective, evidence-based policies.

Addressing this data gap is essential because it will reveal the magnitude of current hidden inequalities, structural biases and disparities in access, participation, and outcomes. Adequate and accurate disaggregated data also improves policy design and accountability, enabling governments and institutions to craft targeted interventions and monitor their effectiveness. Moreover, having sex-disaggregated data is a powerful tool to advocate for gender equality-responsive investments, private sector inclusion efforts, and international development support.

To bridge these gaps in policies and data, APEC economies must take coordinated, targeted action, consistent with the La Serena Roadmap for Women and Inclusive Growth (2019-2030). Key pathways include:

- Legislative reform: Enact and enforce laws that prohibit discrimination in credit access, ensure equal pay for work of equal value, and eliminate restrictions on women's employment in specific sectors.
- Leadership pipelines: Establish public-private cooperation to promote mentorship and networking initiatives, establish targets for women in management positions where appropriate, and create incentives for companies and governments to promote women to leadership roles.
- Invest in care infrastructure: Reduce the unpaid care burden on women by expanding access to affordable quality childcare, eldercare, and social protection systems, enabling more women to participate in the workforce.
- Strengthen access to skills and training: Promote technical and vocational education for women, particularly in high-growth and innovative sectors such as digital technology, manufacturing, and green energy.
- Close the digital gender inequality: Ensure equal access to digital tools and digital literacy programs for women and girls, greater inclusion in STEM and innovation ecosystems, and stronger focus on addressing technology-facilitated harassment and discrimination against women.
- Improve collection of disaggregated data: Allocate resources in statistical agencies and explore funding partnerships with private institutions to improve the collection, regular updating, and public availability of disaggregated data, including by sex, across all economic sectors to guide policy, design targeted interventions, and measure impact.

The APEC Women and the Economy Dashboard remains a critical tool for tracking progress and identifying areas for intervention. Regular monitoring of women's status must be matched by sustained political will, sufficient disaggregated data—including by sex—and decisive policymaking to unlock women's full potential as equal partners in shaping economic and social conditions and achieving sustainable growth. Beyond identifying gaps and barriers, commitments to advance women's empowerment must translate into concrete pathways to accelerate gender equality and ensure that women across the region can participate fully in the economy.

Resilience and Governance

Addressing Demographic Change in the APEC Region

Link: https://www.apec.org/publications/2025/06/addressing-demographic-change-in-the-apec-region

This policy brief examines seismic demographic changes in the APEC region and their implications for economic growth, financial stability, and fiscal budgets. It recommends a multi-pronged policy response to mitigate these effects.

Findings

Demographic changes in the APEC region. Over the past three decades:

- APEC's population growth has been slowing and is expected to stop growing and start contracting by 2035. From a current population of about 3.0 billion, the region is projected to shrink to 2.2 billion in 2100.
- APEC's population has grown older on average. The share of the population that is 65 years old or older doubled from 7% in 1990 to 15% in 2025. All regions within APEC experienced an increase in the share of the elderly population, but this is most acute in Northeast Asia.

Economic Driver 3:
Strong, Balanced, Secure, Sustainable and Inclusive Growth

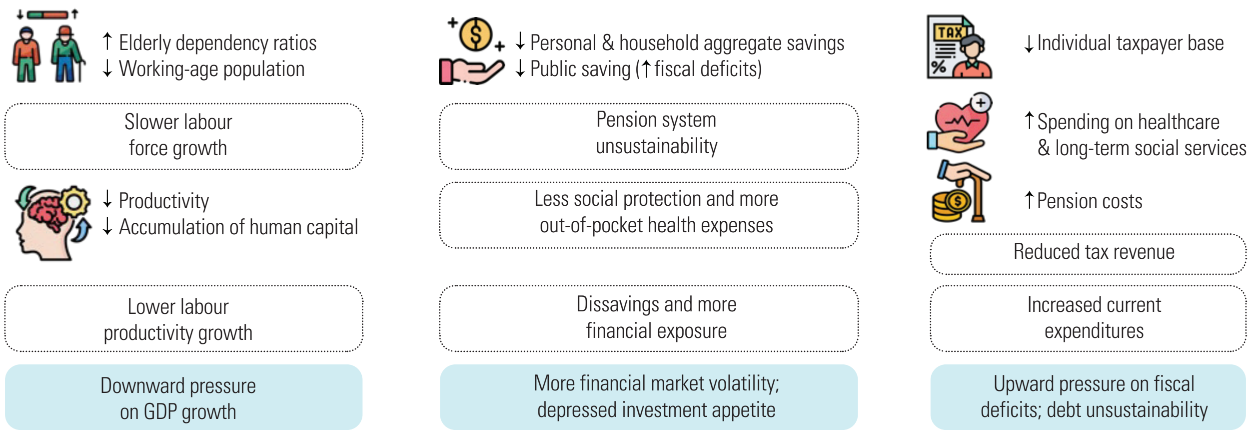
This slowdown in growth and ageing of population is largely a result of the region's success in improving people's welfare. Over three decades of economic cooperation and integration have contributed to better access to healthcare and nutrition. It has also resulted in improved education outcomes and increased job creation and overall income, especially for women. A result of all this success is that people in the region are living longer lives, learning more and earning more.

But it also means that families are having more control over their reproductive choices. Studies show that as households attain better health and economic outcomes, they choose quality over quantity of children, focusing their resources on a few children rather than spreading it over many. As a result, the average total fertility rate in the APEC region has declined from 2.5 in 1989 to 1.3 in 2023, which is well below the replacement fertility rate of 2.1.

<u>Impacts of demographic change.</u> A collective reduction in fertility rates can have significant repercussions on the economy. Along with falling populations and ageing societies, this demographic change could affect an economy's ability to sustain itself.

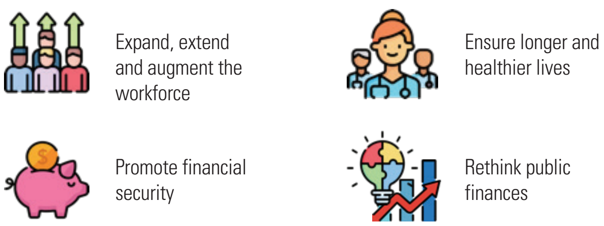
After falling over two decades, the APEC region's total dependency ratio (DR, the number of non-working-age people who are economically dependent on every 100 working-age individuals) has been rising since about 2010 and is expected to continue rising in the next 70 years. Additionally, old-age DR is rising rapidly while the youth DR is tapering off. This implies that there will be fewer workers supporting more elderly people in the future. This signals a lack of demographic dividend from a growing labour force in the future, and points to constraints on economic growth.

The policy brief examines the impacts of demographic change across three areas: (1) labour force growth, labour productivity growth and innovation, (2) pension funds and financial markets, and (3) public expenditures and revenue base.



Recommendations

There are many policy options that economies can—and must—do to sustain economic growth, ensure quality of life and stabilise finances despite demographic changes:



- <u>Expand, extend and augment the workforce.</u> Economies need to address the immediate impacts of a rapidly ageing workforce and ensure that their available labour forces and productivity are operating at the frontier, i.e., their most efficient level.
  - <u>Expanding the workforce.</u> One way to achieve this is to enable everyone to contribute to, and benefit from economic productivity. Economies need to maximise their workers if they have not already done so. More specifically, this applies to pockets of society who are frequently excluded from the workforce due to reasons such as physical status, societal expectations, and more. For example, there are still many structural barriers to women's economic participation. Ensuring pathways to work and return to work after childbirth will contribute to this end. Likewise, childcare services, work-life balance, flexible working arrangements, and other similar policies will not only contribute to women's economic participation but also help alleviate the costs of childcare.

    The literature on demographic issues shows that another way to expand the workforce, even though it can be politically sensitive, is to enhance cross-border labour mobility and immigration. Studies have shown the contributions that highly skilled migrants and temporary workers bring to their hosts, as their know-how and calibre contribute to increased innovation and productivity, boosting economic growth and business creation. Likewise, lower-skilled migrants and temporary workers have been found to boost aggregate productivity in developed economies, due to skill complementarity with the domestic labour force.

Multistakeholder collaboration and coordination are essential foundations for labour mobility policy development. Economies need to ensure that temporary foreign workers or immigrants have the necessary environments to thrive. This includes setting up adequate support and work environments to ensure proper utilisation of skills and successful integration into the labour force.

However, the feasibility of labour mobility and immigration to expand the workforce depends on domestic circumstances and priorities.

- Extending the workforce. Given the increased average longevity and rising dependency ratios, economies may need to consider raising retirement and pension eligibility ages to relieve labour market and financial pressures. Some economies are already doing this, but political backlash remains a challenge.

  Legislation and education against ageism are also essential. While people may be expected to work longer, and some elderly workers may be willing to do so, discrimination and negative perceptions still surround the older generation. They are often seen as weak, inflexible, and a drag on resources. These attitudes can hurt productivity in the workplace, due to reduced collaboration with seniors. Some firms may even pre-emptively terminate the employment of older workers in favour of younger recruits. For the extension of the workforce to be effective, structural safeguards against ageism are necessary.

- Augmenting the workforce. Lifelong access to education and skills development is crucial not only in developing a more skilled and productive labour force, but also in providing workers of all ages the skills to work in a digitalised and AI-augmented economy. Some APEC economies have already established initiatives promoting lifelong learning.

  Public-private partnerships are also essential: economies can encourage upskilling by means of policies, grants, and organising industry-specific upskilling programmes; industries can partner with universities to create new skill-building methods; and organisations can bridge firms' needs through the employment of overlooked groups of workers. Employers can also leverage a multigenerational workforce to foster learning opportunities between younger and older workers with complementary skills – tech savviness from the former, and rich experiences from the latter. This can contribute to innovation and overall productivity.

• Ensure longer and healthier lives. If labour markets need to keep people productive for longer, then economies will necessarily need to ensure access to healthcare for all people, including preventive healthcare, to keep them healthier for longer.

  - Focus on preventive healthcare. Early intervention and effective management of chronic diseases by healthcare providers can help improve health outcomes and reduce overall economic strain from non-communicable diseases. It also enables ageing populations to remain actively engaged in society by lowering the impact and likelihood of advanced-stage diseases.

    Public health and the creation of liveable communities also have a role to play in fostering healthy lifestyles. Strategies focusing on behavioural change have been found to be effective in increasing health checkup attendance, which improves future health outcomes. Inculcating healthy lifestyles and habits in the population is equally important as well. Economies should use evidence-based interventions to promote this, tailoring their approaches according to their unique cultural norms and susceptibility to nudges by the public.

    Environmental factors also affect a population's health. Indicators, such as the ones developed by the World Health Organization (WHO), are useful tools for economies to assess the age-friendliness of their communal spaces. Creating liveable communities requires accessible housing, transportation, recreational areas, and green spaces to encourage healthy lifestyles and social connections.

  - Continued research on therapy methods and healthcare models. Supporting research and development on regenerative medicine coupled with streamlined approval processes can enhance patient access to regenerative medicine therapies and improve quality of care, possibly reducing the need for long-term palliative care. Advancements in healthcare technology can also deliver safer and more effective treatments for medical needs that are currently unmet, significantly improving health outcomes and enhancing the quality of life for elderly patients and their families.

  - Specialised knowledge to serve the needs of an ageing population could also be encouraged through educational strategies that promote careers in geriatrics and gerontology.

Economic Driver 3:
Strong, Balanced, Secure, Sustainable and Inclusive Growth

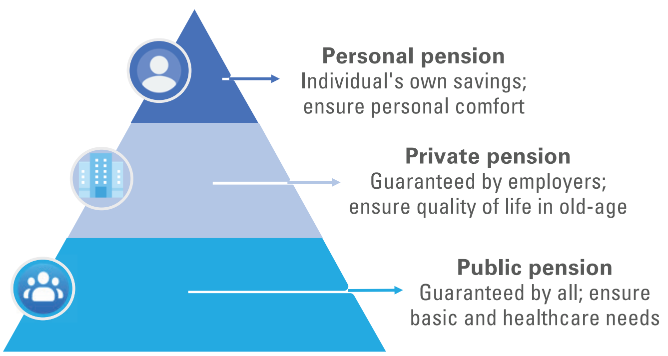
Targeted curricula and upskilling support that improve understanding of these fields, develop skills, and assuage concerns of medical and nursing students will help address skills gaps. Resistance to entering these specialisations due to common concerns, such as perceptions of lesser prestige and low wages, will need to be addressed through information campaigns and institutional development to ensure fair wages.

- Models of collaborative care. Integrating medical treatment with effective communications and behavioural strategies has found success in reducing symptom severity and increasing quality of life for patients with chronic illnesses. Integrating healthcare with social services and shifting towards community-based care can enhance service delivery while controlling costs, allowing for more cost-effective and better-quality care for the elderly.

- Promote financial security. At the personal and household level, people need to be informed and equipped to save substantially for their old age. Increasing financial inclusion and literacy, including on retirement planning, is important for people to save and plan for their future. This could help reduce reliance on public pension funds and enable people to establish a stronger personal safety net in times of emergencies. However, people's confidence in savings is only as strong as the reliability and prudence of financial service providers. Regulatory safeguards for consumers are important to ensure that their savings are not easily lost due to financial market imprudence.

- Rethink public finances. Ageing is a structural issue, and a solution needs to be structural as well. If one is not yet in place, economies will need to build a sustainable model for old-age pensions that incorporates close collaboration between the public and private sectors. This model, which has been proposed and promoted by World Bank and applied by many economies, combines public, private and personal pensions to ensure basic needs and quality of life into old age. But it cannot be built overnight and requires intensive investment as well as the public's buy-in and cooperation.

Three-tier model of old-age pensions



Source: Adapted from The World Bank, 1994.

- Diversify revenue streams for a resilient tax base. Demographic change has a clear impact on public finances, and that is on the downside. Expenditures are expected to go up due to rising public healthcare spending and pension outlays, while workforce-based sources of revenues, such as income taxes and social security contributions, are expected to be constrained. Economies will need to develop more robust revenue bases by increasing their tax base via a multitude of channels and pursuing tax reforms to ensure that revenue streams are more sustainable in light of population ageing.

  Capital income taxation could allow economies to accumulate revenue and promote income equality, since most capital income is distilled at relatively higher income households. Currently, 13 APEC economies tax personal income, which includes income from employment, at higher rates than capital income, with an average differential of more than 20 percentage points. Likewise, corporate income tax revenue has been found to be relatively unaffected by an ageing population, and has the potential to make the tax system more resilient to demographic change.

  Taxes on immovable property have also been found to be growth-friendly and is a possible avenue to raise revenue, and making property taxes progressive would encourage equitable growth. Lastly, consumption tax is another avenue that is resilient to demographic ageing. Raising consumption tax would help to fund increasing government expenditures. This should be paired with targeted measures to relieve the burden on elderly with low incomes, as a high consumption tax by itself will be regressive. Moreover, economies should take note of their initial consumption taxes, as raising an already high tax would prove to be unpopular.

Using AI to Power Up Efficient and Resilient Energy Systems

Link: https://www.apec.org/publications/2025/08/using-ai-to-power-up-efficient-and-resilient-energy-systems

This policy brief showcases practical AI applications delivering results in optimising grid operations, unlocking energy savings in buildings and industry, and increasing energy market efficiency. It also lays out policy options at the regional and domestic levels to enable AI uptake, integration, and acceptance in energy systems.

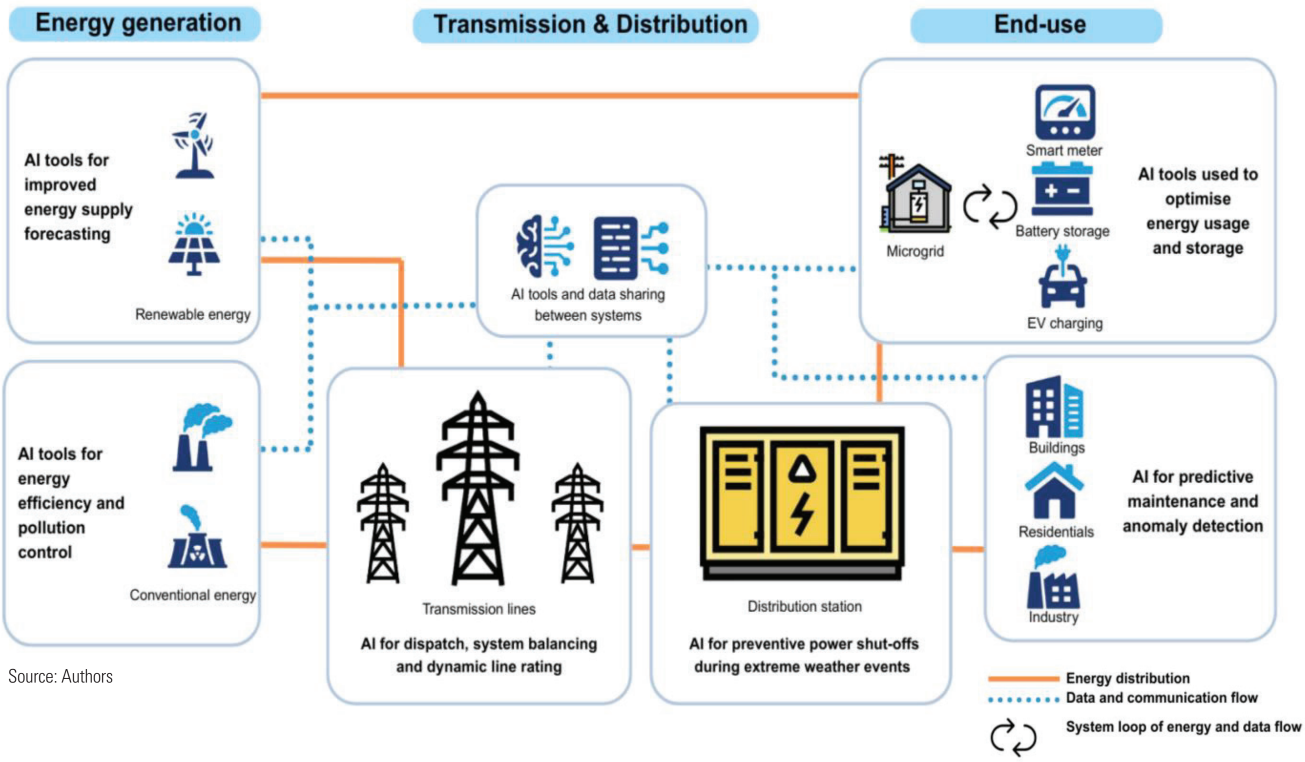
Findings

Making the grid more efficient and resilient. Incidents of large-scale blackouts in APEC economies show how extreme weather events, systemic imbalances and failures in one part of the power grid can rapidly cascade into widespread disruptions. These events jeopardise economic activity, costing as much as USD 1.6 billion in economic impact, and compromise public safety. This shows that electric grid efficiency and resilience remain critical priorities for economies, and AI can help meet these challenges.

- How AI can optimise the grid. Electricity must be consumed the moment it is generated and injected to the grid. If too much electricity is produced, it can overload equipment; if too little, it can trigger blackouts. Though grid-scale storage investment has grown in some economies, storing electricity at scale can be financially and technically burdensome under certain market and regulatory conditions. AI can help balance supply and demand in real time, making the grid more efficient, adaptive and reliable at lower cost.

- How AI can improve grid resilience. Traditional grid models struggle with rapidly changing load behaviours and extreme events, leading to inaccurate predictions and operational challenges. AI models could quickly adapt to new load behaviours and can even simulate novel, extreme weather or electrical scenarios by generating synthetic data for testing.

AI applications in the grid system



Source: Authors

Unlocking energy efficiency in buildings and cities. The building and construction sector is the largest sectoral emitter of greenhouse gases, contributing a substantial 37% of total emissions. This carbon footprint stems from both operational energy use (e.g., heating, cooling and lighting) as well as the carbon-intensive production of materials such as cement, steel and aluminium. AI offers substantial potential to reduce pollution across a building's entire lifecycle, through enhancing energy efficiency initiatives and supporting renewable energy production.

Empowering industry through AI-driven energy optimisation. Energy-intensive industries like steel, cement, chemicals, aluminium and paper account for over two-thirds of global industrial energy demand. Applying AI across these industries can lead to 2% to 6% savings in energy demand.

Developing smarter energy markets. Energy markets are platforms where electricity is competitively bought and sold either through long-term contracts or in shorter timeframes. In competitive electricity markets, multiple producers such as power plants or renewable energy generators bid to supply electricity, while retailers or large consumers bid to purchase it. The energy market operator matches these bids to determine a market-clearing price, which balances supply and demand in real time to manage congestion and optimise electricity dispatch.

Competitive electricity markets enhance system efficiency by providing transparent price signals, lowering operational costs, and incentivising investment in least-cost and innovative technologies. When paired with sound policy, these markets can also accelerate low-carbon transition and offer greater consumer choice.

Economic Driver 3:
Strong, Balanced, Secure, Sustainable and Inclusive Growth

As energy systems become more complex and decentralised, the ability to efficiently forecast demand, price fluctuations or system imbalances becomes increasingly important. This is where AI offers immense value: improving forecasting, enabling faster and smarter bidding, managing volatility and even automating participation for new market participants like battery operators or flexible consumers.

Enablers of AI adoption. (1) Institutional enablers: As AI's benefits in power, industry, buildings and energy markets grow clearer, enabling its adoption becomes critical. Strengthening institutional enablers ensures efficient integration and prevents fragmented or uncoordinated AI governance. (2) Technical enablers: AI's adoption and effectiveness depend on the people who use it and the data with which it is fed. However, many energy companies have identified that the primary barriers to AI adoption in the energy sector are a lack of quality data and a shortage of skilled personnel. Without addressing these foundational needs, AI's potential to improve energy efficiency, optimise grid management and support resilient energy systems cannot be fully realised.

Recommendations

AI offers significant opportunities for the overall improvement of energy systems, but its deployment must be carefully managed to ensure it is responsible and effective. Policymakers could consider a range of coordinated policy options – ranging from regional cooperation for joint learning to domestic promotion of innovation – to unlock AI's full potential in the energy sector.

Develop regional governance standards for trustworthy AI	Establish regulatory sandboxes and joint pilot programs
Establish a regional AI data taskforce for the energy sector	Coordinate on capacity building programs
Ensure AI access and deployment for all	Invest in AI innovation for energy efficiency and resilience

- Develop regional governance standards for trustworthy AI. Harmonisation of AI-related policy frameworks and technical standards is crucial to avoid fragmentation and ensure scalability across the APEC region. Shared benchmarks for transparency, explainability and accountability can provide the foundational trust needed for safe AI deployment across grids, energy markets and industrial applications.

  The adoption of international standards can help establish a common regulatory language and improve interoperability, preventing the emergence of isolated or fragmented AI ecosystems. For instance, ISO 42001 on AI management systems provides a good basis for APEC economies to build their domestic AI standards, avoiding divergent frameworks and standards that would add friction to AI deployment across grids, energy markets and industrial applications. APEC can leverage existing fora to lead these harmonisation efforts, drawing on international best practices while tailoring them to regional needs.

- Establish regulatory sandboxes and joint pilot programs. These sandboxes can begin domestically, before expanding across multiple economies where they could initially focus on lower-risk, ready-to-deploy solutions – such as AI-powered dynamic line rating or weather forecasting for renewable power generation – to build regulatory capacity and confidence with minimal operational risk.

  These sandboxes and pilot programs can serve as vital platforms for knowledge transfer, allowing emerging economies to learn from more technologically advanced members and facilitating the sharing of anonymised data and best practices to accelerate research, scalability and replicability across the region.

- Establish a regional AI data taskforce for the energy sector. Data is the bedrock of AI, and lack of access could be a stumbling block to deployment. Access to high-quality, interoperable and secure energy datasets with robust cybersecurity and privacy protocols is essential to running AI systems. Hence, ensuring data quality, consistency and reliability across diverse sources is the key for effective AI deployment.

  Good regulatory practices and investments in infrastructure and processes to ensure data is open, interoperable and secure from collection to utilisation will be needed. Recognising varying levels of readiness, APEC economies could explore tiered data-sharing models where highly sensitive data is subject to strict controls, while anonymised or aggregated data can be shared more openly for research and public benefit. APEC economies could establish a regional energy data taskforce to promote open data standards, protocols and accessibility across public and private stakeholders. Open data can foster innovation by ensuring fair access, preventing monopolies and enabling smaller firms and innovators to adopt and develop AI solutions.

  Investments in digital infrastructure must be designed to enable seamless data flow, both within economies and across borders. Common guidelines for data collection and access can improve dataset coherence and usability. This includes setting interoperability standards for end-use devices and distributed energy resources to respond dynamically to real-time signals such as carbon intensity, peak demand, and pricing. At the same time, policies must address growing risks around data privacy and cybersecurity. Given the criticality of energy infrastructure, cybersecurity frameworks for data ecosystems must be built in from the outset, not as an afterthought.

- Coordinate on capacity building programs. Upskilling programs for the energy sector need to focus on multi-disciplinary skills, emphasising the intersection of AI technical knowledge with energy systems, policy, economics and ethics to foster 'AI translators' who can bridge these gaps. APEC economies could develop regionally coordinated training strategies focused on both technical implementation and strategic oversight. This includes training partnerships with universities and international energy institutions, as well as mid-career upskilling programs to enable professionals to evaluate, adapt and govern AI tools responsibly.

  APEC could also support the establishment of regional hubs for AI development in energy, potentially hosted by leading universities or research institutions, to facilitate training, research and collaborative projects. Shared learning platforms between advanced, emerging and developing economies will further help disseminate expertise more equitably across the region, alongside promoting public–private sector rotations to foster mutual understanding and practical skills. Governments can encourage energy utilities and industry leaders to establish internal AI labs to build domestic capabilities, develop tailored solutions and securely integrate AI into critical infrastructure.

  Furthermore, economies could support initiatives that create a seamless pathway from university research to industry deployment. This lab-to-operations continuum will accelerate the adoption of AI innovations, enhancing grid efficiency, resilience and reliability. This approach facilitates acceptance of change by giving operators the means to directly participate in building their new or future work tools, allowing them to objectively assess their advantages and limitations at their own pace.

- Ensure AI access and deployment for all. AI must not reinforce or exacerbate existing digital divides. To ensure accessible AI deployment in critical infrastructure, economies need to facilitate collaboration and dialogue between various stakeholders such as power sector utilities, energy industry firms, policymakers and local communities. These collaborations can produce AI tools that are grounded in real-world conditions and local needs.

  Initiatives that address specific energy challenges and data realities of developing economies are also crucial as there is no one-size-fits-all solution for AI adaptation. Input from grid operators, energy actors and local communities, particularly those most impacted by energy transitions or climate change, should be prioritised to ensure solutions are tailored to the needs of the communities they are meant to serve.

  Supporting local AI development and research in developing economies can also contribute to closing digital divides. The development and sharing of open-source AI models, tools and data, particularly those tailored for energy applications in data-constrained or resource-limited environments, could be helpful in this regard. Such multisectoral and stakeholder-grounded approaches, accompanied by social and environmental impact assessments for AI energy projects in vulnerable communities, are critical for ensuring that AI supports broader development goals.

- Invest in AI innovation for energy efficiency and resilience. The use cases for AI in the energy sector are just a start, and economies are only beginning to understand how AI can contribute to energy resilience and efficiency. More research and innovation are needed to integrate AI into broader energy infrastructure planning, simulating stress scenarios (e.g., typhoons or heatwaves), and informing resilience and resource allocation.

  AI can even enhance long-term resilience by enabling large-scale simulations that model future changes in weather patterns. Methodologies need to be developed to systematically measure and report the direct and indirect benefits of AI deployment in the energy sector, such as emissions reductions from optimised operations or avoided infrastructure costs from enhanced resilience.

  But this will all require funding, and economies need to create a supportive environment for investments in AI innovation for the energy sector. Investment will also be needed to accelerate the uptake of AI tools and services, leading to optimisation and cost savings in energy systems. Setting up and co-funding public–private partnerships to jointly invest in AI energy startups could be one way forward. Directly supporting and incentivising research and development in this field is another.

Technologies for Preventing, Detecting and Combatting Corruption

Link: https://www.apec.org/publications/2025/06/technologies-for-preventing--detecting--and-combating-anti-corruption

This report examines the current state and future potential of technologies for anti-corruption purposes in APEC economies, highlighting how digital transformation can enhance transparency, accountability, and enforcement. It offers recommendations for APEC to adopt strategic, tailored approaches to strengthen governance and combat corruption.

Economic Driver 3:
Strong, Balanced, Secure, Sustainable and Inclusive Growth

Findings

The report begins by contextualising corruption's systemic impacts, detailing its economic, social, and institutional costs. It highlights the interconnected roles of governments, the private sector, international organisations, and citizens in creating an ecosystem that supports anti-corruption initiatives. While technology provides powerful tools for enhancing transparency, accountability and enforcement, if improperly implemented, it can support the development of more sophisticated forms of corruption and help evade detection. Its effectiveness depends on a holistic approach that considers proper integration with governance structures, and technical capabilities and infrastructure, to ensure effective use.

An analysis of established technologies shows how solutions such as e-government platforms, open data initiatives, and automated compliance systems have already increased efficiency and transparency in governance. These technologies reduce opportunities for corruption by streamlining administrative processes, enhancing public oversight, and creating digital records that are harder to manipulate.

Emerging technologies like artificial intelligence, blockchain and advanced data analytics (from classical computing methods to quantum mechanics principles) represent the next frontier in anti-corruption efforts. These tools offer powerful capabilities for detecting anomalies, securing transactions and automating investigative processes. However, if and when used with malicious intent, they can lend themselves to more advanced corrupt tactics. As such, technological capabilities have become imperative for anti-corruption bodies. Nonetheless, their implementation also poses challenges, including costs, ethical considerations and the need for robust governance frameworks.

Implementation readiness varies significantly across APEC economies due to differences in infrastructure, technical expertise, and institutional capacity. The report underscores the importance of addressing these disparities through targeted investments in capacity building, digital infrastructure, and knowledge-sharing initiatives.

While technology is a critical enabler, it is not a standalone solution. Effective anti-corruption strategies, including technology-enabled ones, require strong institutions, clear regulations, and active public engagement as key components. Building public trust in digital systems and ensuring equitable access to technology are additional essentials for long-term success of technology-enabled strategies.

Recommendations

For APEC economies. Recognising the diverse technological and institutional landscapes across APEC, implementation strategies should be tailored to the readiness levels of economies. A framework of differentiated approaches ensures resource optimisation and contextual relevance, and could demonstrate impact relatively fast by focusing on the more easily attainable initiatives/goals:

Readiness Level	Approaches
All Economies	• View technology as an ally and a resource that empowers anti-corruption efforts. • Adapt anti-corruption initiatives alongside technological trends, together with policy and institutional changes, to ensure that technology remains a tool to fight corruption.
Low Readiness Economies	• Prioritise basic but impactful interventions, such as implementing simple e-procurement systems to enhance transparency and accountability. • Strengthen foundational digital infrastructure, such as internet connectivity and basic IT systems to support future technological advancements. • Upscale data collection systems cost effectively, where possible. • Access funding and technical assistance through regional partnerships and alignment with international development organisations, particularly in areas which can be considered as low-hanging fruits.
Moderate Readiness Economies	• Maximise potential of established technologies like e-government portals and open data platforms. • Target investments in infrastructure and capacity building to position for the phased adoption of advanced technologies, potentially through regulatory sandboxes. • Ensure future readiness of anti-corruption personnel by investing in specific capacity building and training officials on the basics of emerging technologies. The purpose of such training is to empower officials to be responsible and effective users of technological tools in anti-corruption efforts. • Participate in regional workshops and technical exchanges to help address skill gaps and prepare for more sophisticated tools.

High Readiness Economies	• Implement cutting-edge technologies, such as AI, blockchain, and big data analytics. In doing so, continue to stress test their implementation efforts, whether by minimising duplication of efforts through cross-agency collaboration or sharing lessons learned from both successes and failures. Frequently observed mistakes or pitfalls, such as biases in AI/ML systems, should be tracked to optimise deployment. • Support regional initiatives by offering technical expertise and harmonising standards across borders. • Lead drafting of an APEC strategy/roadmap to promote strategic coordination and collaboration of initiatives and ensure that strategic priorities leverage the different strengths and meet the various needs of member economies.

In identifying strategic pathways to combat corruption, it is essential to focus on initiatives that offer the greatest impact with the least complexity and investment. Accordingly, the table below categorises various technologies that are particularly well-suited for immediate implementation within APEC economies by the level of readiness. Building on the recommendations presented above, the table provides concrete instances of successful technology applications in anti-corruption efforts that can be considered for more immediate adoption or trial.

Readiness Level	Opportunity Area	Low-Hanging Technologies/Use Cases
Low Readiness Economies	Enhance transparency and accountability	• Digitise government services and records • Implement e-procurement systems • Promote open data initiatives • Utilise basic analytics and rule-based methods
Moderate Readiness Economies	Strengthen detection and investigative capacity	• Establish digital reporting and whistleblowing platforms • Adopt AI/ML tools for due diligence
High Readiness Economies	Improve enforcement and recovery processes	• Implement forensic data analytics • Pilot test AI/ML for asset tracking and recovery • Adopt facial recognition for network mapping

For APEC. APEC's role as a regional convener provides unique opportunities to accelerate anti-corruption efforts:

- Provide strategic guidance for coordinated collaboration on specific/priority initiatives to enhance technology utilisation. APEC could benefit from a consensus on (1) the strategic priorities of member economies, possibly but not limited to technologies/use cases that are easier to implement, and (2) the collaboration opportunities across the various readiness groups that should be pursued. This could reduce duplication of efforts by member economies, leverage their respective strengths, as well as increase efficiencies and impact when cross-jurisdictional learnings are shared. For instance, an initiative could be to establish platforms for member economies to share experiences and lessons learned, focusing on what has not worked and why, to inform better practices and facilitate a collective leap in anti-corruption achievements through technology. A strategic plan also (1) establishes an organisational vision for member economies to collaborate on over the next several years, which encourages efficient resource allocation and sustainability of effort, and (2) offers APEC an opportunity to establish new standards as a key leader in enhancing the use of technology for cross-border anti-corruption efforts.
- Capacity building and knowledge sharing. Organise regional training programs, technical workshops, and forums to disseminate best practices and innovative solutions. Establish a central repository for case studies, tools, and frameworks to assist member economies in implementation. Training programs should be strategically designed to address the three pillars of anti-corruption efforts, according to the readiness level of each economy. This approach should also account for member economies' technological readiness levels and their institutional functions.

The analysis conducted in this report also indicates digital literacy gaps among both officials and citizens, ethical concerns regarding emerging technologies, and questions about the long-term sustainability of technological solutions. These concerns reflect the understanding that technology alone cannot address corruption: we must simultaneously build human capacity, establish appropriate governance frameworks, and ensure tools and systems remain effective over time. The digital divide within and between economies demands special attention to ensure that anti-corruption technologies do not inadvertently create new vulnerabilities. With these considerations in mind, the following complementary approaches to strengthen capacity building framework could be considered:

- Digital education and inclusion. Recognising that technology-based anti-corruption measures are only as effective as the people who use them, APEC should promote comprehensive digital literacy programs targeting both public officials and citizens, with particular attention to vulnerable populations and those with limited technology access.

- Ethical implementation and governance. APEC should facilitate the development of ethical regulatory frameworks governing the use of emerging technologies in anti-corruption efforts.

- Sustainability and long-term implementation. To ensure the longevity and continued effectiveness of technological anti-corruption measures, APEC should support the development of comprehensive technology sustainability plans that address not only initial implementation costs but encompass ongoing maintenance requirements, future upgrade pathways, and succession planning for technical expertise retention.

- Technical and financial support. Develop funding mechanisms and technical assistance programs to address disparities in readiness levels. APEC can act as a bridge to facilitate access to expertise, connecting member economies with international donors and private sector partners. These efforts should be complemented by the creation of regional technology maintenance networks enabling economies to pool resources, share specialised expertise, and distribute costs associated with keeping anti-corruption systems operational and current. Additionally, establishing dedicated innovation funds would ensure continuous improvement of existing technologies while allowing exploration of emerging solutions without straining operational budgets.

- Monitor and evaluate progress. Establish mechanisms to assess the adoption and effectiveness of anti-corruption technologies across member economies. For instance, APEC can support the development and implementation of regular assessments to track the adoption and effectiveness of anti-corruption technologies, identifying gaps and areas for improvement. Regular technology audits and refresh cycles should be institutionalised to prevent the obsolescence of anti-corruption systems, with approaches tailored to each economy's resource capabilities, thereby ensuring that technological investments deliver sustained value rather than becoming costly technological relics.

By aligning its efforts with the Putrajaya Vision 2040 and its emphasis on digital transformation, APEC can lead the way in building resilient, transparent, and accountable governance systems that effectively combat corruption.

APEC Regional Trends Analysis

The APEC Regional Trends Analysis (ARTA) is a serial publication of the PSU which provides an overview of the region's economy through an analysis of recent macroeconomic, trade, and investment trends. It tracks recent trade and investment measures implemented around the region and discusses risks and opportunities to the region's economic outlook. Four issues were published in 2025.

March 2025

Link: https://www.apec.org/publications/2025/03/apec-regional-trends-analysis--march-2025

The APEC region faces growing economic challenges, with slowing growth and rising fiscal pressures, aggravated by ageing populations. While near-term prospects remain stable, risks affecting the medium-term outlook are intensifying due to persistent trade barriers, geopolitical tensions, and structural constraints. Strengthening resilience requires bold policy action—advancing structural reforms to boost productivity and innovation while maintaining sound fiscal and monetary policies to ensure economic stability. Deepening regional cooperation remains essential to mitigate trade vulnerabilities and navigate global uncertainties. By taking coordinated and decisive action, APEC economies can steer the region towards brighter growth prospects and build a more sustainable, resilient future for all.

Findings

APEC's growth prospects are dampened by geopolitical issues and geoeconomic fragmentation, fueled by the rise of measures affecting trade and investment.

Tourism is driving the growth in commercial services trade in APEC, boosting economic ties and cultural exchange.

As global risks rise, gold prices hit historic highs, with investors seeking safety amid rising uncertainty.

The widening fiscal gap, worsened by demographic shifts that increase fiscal burden, could threaten stability and growth.

Recommendations

SOUND MONETARY AND FISCAL POLICIES

- Maintain a flexible monetary policy to manage inflation and support growth.
- Ensure fiscal consolidation and target spending to improve livelihoods.
- Enhance investments in key economic sectors.

GROWTH-ENHANCING REFORMS

- Boost productivity and promote innovation.
- Invest in human capital through education and healthcare.
- Improve workforce participation and skills.

RESILIENT MULTILATERAL COOPERATION

- Strengthen APEC's role in regional economic integration.
- Promote trade and sustainable growth.
- Foster policy dialogue on critical reforms to increase regional competitiveness and build resilience.

May 2025

Link: https://www.apec.org/publications/2025/05/apec-regional-trends-analysis--may-2025

The APEC region is facing significant global headwinds, with short-term growth forecasts sharply revised downward due to rising policy uncertainties, escalating trade tensions, and shifting global supply chains. External demand is weakening, and the rise in protectionist measures is exacerbating trade vulnerabilities. At the same time, an ageing population and mounting debt are placing considerable pressures on fiscal space, threatening long-term economic stability. These challenges necessitate agile and strategic monetary, fiscal, and trade policies. The pursuit of resilience-enhancing structural reforms amid an increasingly uncertain and fragmented global economy has become more urgent. Deeper regional cooperation will be critical to mitigating risks, strengthening economic resilience, and paving the way for sustained prosperity.

Findings

APEC faces a sharper growth downgrade than the rest of the world due to increased trade disputes and protectionism as well as shifting supply chains amid a complex global environment.

RISK

Heightened trade uncertainties and volatility are weakening demand, eroding investor confidence, slowing exports, and dampening growth prospects.

Amid mounting debt and escalating risks, well-calibrated and adaptive policies are crucial to ensure fiscal soundness and economic resilience.

An ageing population strains healthcare, labour markets, and social systems, intensifying the need for reforms to sustain productivity and drive technological adoption.

Recommendations

AGILE AND STRATEGIC ECONOMIC POLICIES

- Adjust monetary policy swiftly to manage inflation risks and support stable economic growth.
- Focus fiscal policy on strategic sectors, striking a balance between long-term growth and prudent spending.
- De-escalate trade tensions, reduce policy uncertainty, and promote trade diversification to unlock economic opportunities.

RESILIENCE-ENHANCING STRUCTURAL REFORMS

- Strengthen labour markets through skills development and widen workforce participation.
- Implement reforms to boost business competitiveness and innovation.
- Invest in digital infrastructure to improve efficiency and productivity.

ADAPTIVE MULTILATERAL COOPERATION

- Strengthen multilateral efforts to tackle shared economic challanges, including fostering continuous policy dialogue toward collectve action and global stability.
- Coordinate and cooperate to improve responsiveness to external shocks.

APEC Regional Trends Analysis

August 2025

Link: https://www.apec.org/publications/2025/08/apec-regional-trends-analysis--august-2025

APEC's economic expansion slowed in Q1 2025, reflecting weak demand and continued uncertainty. Easing inflation has allowed monetary policy to remain steady or adjust cautiously, supportive of economic growth requirements. Trade activity shows signs of precautionary frontloading but sentiment remains largely fragile. Advances in artificial intelligence offer potential for productivity gains, although outcomes will depend on digital readiness and widespread adoption. Strengthening structural reform, upgrading digital skills, and deepening regional cooperation are critical to building resilience and sustaining growth.

Findings

- APEC growth moderates in Q1 2025 as elevated uncertainty and geopolitical headwinds dampened demand, with early trade gains providing only temporary support.
- Merchandise trade registers solid growth in Q1 2025 from frontloaded shipments ahead of anticipated restrictive measures, but momentum may ease as transitory factors fade.
- APEC stands to benefit from advances in artificial intelligence, but uneven digital capacity and skills gaps may constrain broader adoption and productivity.
- Greenfield investments in APEC remain resilient, driven by the shift toward strategic and high-growth sectors amid digitalisation and structural transformation.

Recommendations

ADAPTIVE ECONOMIC POLICIES
Maintain flexible macroeconomic frameworks that adapt to changing conditions, rebuild fiscal buffers to better respond to shocks, and support productivity-enhancing sectors.

INCLUSIVE STRUCTURAL REFORM
Accelerate labour market reforms and digital upskilling to strengthen human capital and ensure broad access to AI-driven productivity gains.

COORDINATED REGIONAL COOPERATION
Leverage APEC's platform as a regional forum for dialogue and cooperation on trade and investment, coordinate policy responses to global shifts, and strengthen economic stability.

October 2025

Link: https://www.apec.org/publications/2025/10/apec-regional-trends-analysis--october-2025

APEC is expected to remain resilient in 2025, reflecting strong trade performance and demand for high-tech goods. However, growth momentum is unlikely to be sustained in 2026 amid fading temporary drivers and tighter fiscal space. Inflation has eased across the region, creating room for accommodative monetary policy, yet elevated debt continues to limit fiscal capacity to support growth. Restoring confidence amid ongoing uncertainty will require sound economic management, transformative reforms, and deeper regional cooperation. Strengthened dialogue and multilateralism remain vital in revitalising growth across the APEC region.

Findings

- APEC region shows economic resilience as economies adapt to new trade policies, but growth is expected to slow in 2026 amid fiscal constraints and weaker trade.
- Trade has strengthened so far in 2025 on short-term demand, but sustaining momentum in 2026 will be challenging as temporary drivers fade and policy uncertainty persists.
- Elevated uncertainty and strong AI and high-tech demand have pushed metal prices higher, adding to cost pressures across metal-intensive sectors.
- Rising public debt is eroding fiscal buffers and limiting policy capacity to respond to future shocks.

Recommendations

SOUND ECONOMIC POLICIES
Strengthen macroeconomic fundamentals, policy certainty and credibility to reduce vulnerabilities and reinforce confidence in the business community.

TRANSFORMATIVE STRUCTURAL REFORMS
Boost productivity and long-term growth through labour market, innovation, and digital reforms that harness AI and build human capital amid accelerating digital and demographic shifts.

ADAPTIVE REGIONAL COOPERATION
Leverage APEC as a platform for dialogue and coordination to strengthen multilateral cooperation, rebuild confidence, and promote predictable frameworks that foster trade and investment.

StatsAPEC is a statistics portal with data dating back to APEC's inception in 1989. The Key Indicators Database includes over 120 GDP, trade, financial and socioeconomic indicators, allowing for an analysis of trends across a number of topics. The Bilateral Linkages Database facilitates detailed analysis of bilateral trade flows between APEC economies and within APEC. StatsAPEC makes it easy to examine the region as a whole as APEC aggregates are available for most indicators.

Visit https://statistics.apec.org/
or scan the QR code to access the portal.

Asia-Pacific
Economic Cooperation

Policy Support Unit • APEC Secretariat
35 Heng Mui Keng Terrace, Singapore 119616
Website: https://www.apec.org/who-we-are/research-and-analysis
Email: psugroup@apec.org