Health Systems Confront Demographic Reality: Cross-Border Solutions Matter

APEC Economic Committee and Group on Services

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Table of Contents

Introduction

Materials in this report are based on presentations at the meeting, which are available at https://apecservicessr.com/

These pages report key points from a discussion in an APEC workshop (jointly organized by the Economic Committee (EC) and the Group on Services (GOS)) on 7 August 2025. The workshop was held in Incheon in the series associated with third Senior Officials Meeting of that year.

Chair of the EC, James Ding, welcomed the workshop as offering a golden opportunity to deepen understanding, foster closer cooperation between the EC and GOS, and reinforce APEC efforts in shaping the future of services trade and regional cooperation building. He noted the growth opportunities in services trade and the role of structural reform in the digital era. The workshop would focus on the evolving nature of services trade, particularly in light of rapid advancement in artificial intelligence (AI). The discussions were aligned with the pillars of the Enhanced APEC Agenda for Structural Reform.

GOS Convenor, Jillian de Luna, noted in her opening remarks, that this was a pioneering session, because in 10 years of public/private policy dialogues in pursuit of increased regional competitiveness in services, this was a first session for GOS which focused specifically on Health Services. With the uptake of digital technologies, including AI, being relatively high in the medical sector, the regional economic and trade community needs to understand better the resulting potential shifts in trade in health services, the constraints to trade and the implications for policy and regulatory settings.

Demographic Shifts Reshaping Healthcare

Demographic shifts are fundamentally reshaping the business of healthcare.

Ageing Populations

Developed economies face inexorably ageing populations, with a growing proportion of residents entering their senior years. This transformation is especially marked in Northeast Asia.

Consequences of Demographic Change

- **Avalanche of New Demand**

  Ageing populations bring a surge in healthcare needs, with chronic illnesses becoming more common and older citizens requiring frequent and intensive interventions.

- **Strained Safety Nets**

  Public health systems are under immense pressure, with rising private insurance costs and persistent demand stressing hospital networks.

- **Shrinking Taxpayer Pool**

  The working-age taxpayer base, which funds public health systems, is shrinking, placing more pressure on social safety nets and welfare state financial models.

- **Increased Household Spending**

  In fast-ageing societies, household demand for healthcare has dramatically increased over the past two decades—an early warning sign for others on the same path.

- **Staff Shortages**

  Demographic shifts also work against the flow of entrants to healthcare education and training.

Productivity Challenges

- **Lagging Productivity**

  Healthcare productivity, especially in the public and non-market sectors, struggles to keep pace with other economic sectors, leading to steadily rising health costs.

- **Uneven Tech Adoption**

  Uneven and slow adoption of new technologies acts as a persistent drag on efficiency and innovation within health systems.

- **Labour & Regulatory Constraints**

  Constrained access to skilled labor and regulatory limit output growth and efficiency, complicating efforts to improve and quantify healthcare outputs.

- **Coordination Issues**

  The numerous agencies and levels of government involved in healthcare often struggle with coordination, hindering effective eco-system management.

- **But there are lessons**

  Innovation and productivity lessons can be learned from the private sector, including experience in partnerships and in international trade and investment

⚠ Healthcare already consumes double-digit proportions of many **economies' incomes**, and demographic change is set to drive spending even higher over coming decades. Incremental reform and reliance solely on domestic resources are unlikely to solve the complex associated challenges.

International Trade: A Solution to Healthcare Challenges

A more concerted regional focus on international trade and investment in health services deserves greater attention as a viable solution.

These cross-border approaches can effectively supplement domestic capacity and drive efficiency gains within health systems.

Cross-Border Solutions for Sustainable Healthcare

Foreign Investment

Private hospital facilities and infrastructure

Patient Movement

Medical tourism and treatment abroad

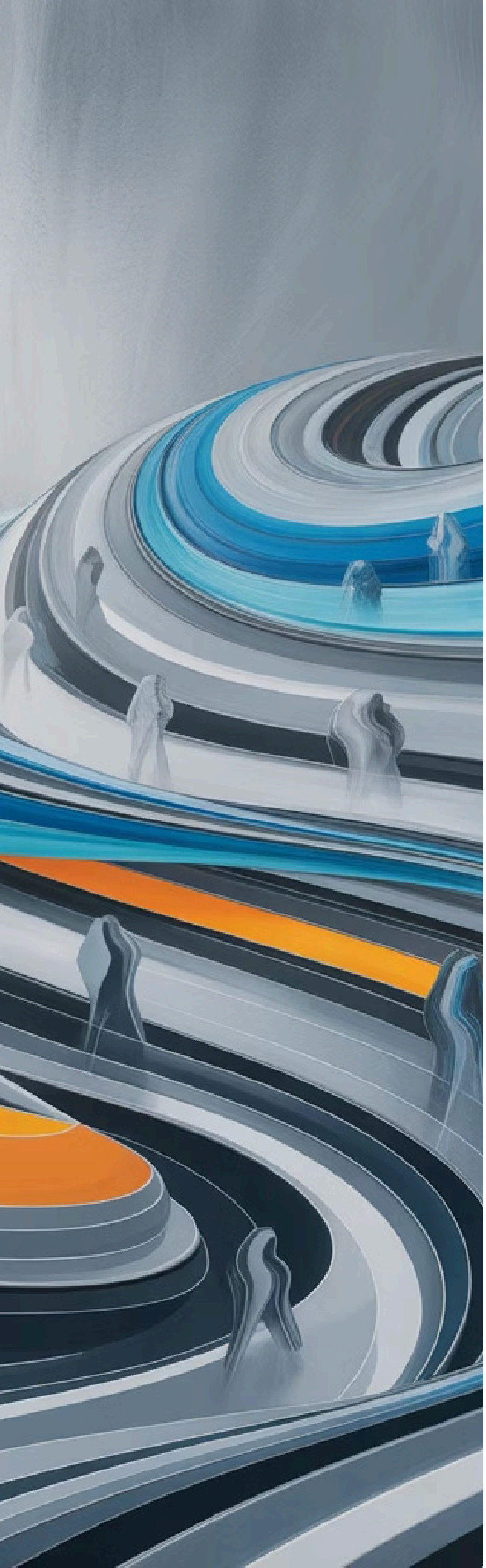
Remote Provision (Online and Telemedicine)

Cross-border private digital health services

Temporary Movement of Professionals

Movement of skilled health workers

These four modes of services delivery are likely to become more important features in healthcare provision during demographic change.



Movement of Health Workers: A Win-Win Solution

The growing demand for health professionals in aging economies creates significant opportunities. Developed economies, grappling with an aging workforce and increasing healthcare needs, actively seek skilled medical staff from abroad.

While facing their own health care challenges, developing economies can also leverage their more youthful populations and expanding medical education systems to help respond to regional shortages. By updating and investing in medical education, training and quality assurance, economies can cultivate a talented pool of professionals ready to contribute to global health systems.

Addressing Staffing Gaps

Provides critical human resources to healthcare systems facing shortages.

Remittance Flows

Generates substantial financial remittances back to the source economies, boosting their economies.

International Experience

Offers health workers valuable international experience, enhancing their skills and professional development.

To ensure ethical and sustainable movement of people, the importance of bilateral agreements, structured people movement programs, and robust credential recognition processes cannot be overstated. These frameworks protect both staff and healthcare systems, fostering long-term partnerships.

Furthermore, circular migration and knowledge transfer mechanisms can greatly benefit both source and destination economies. Health workers gain advanced skills abroad and return to uplift their home healthcare systems, creating a cycle of mutual growth and improvement.

Global Health Workforce Mobility: Why Mutual Recognition Falls Short Without Education Reform

As the international competition for health professionals heats up, economies are placing greater hope in mutual recognition arrangements (MRAs) to facilitate the movement of healthcare professionals to alleviate staffing crises. These agreements, designed to simplify the process of licensing professionals such as doctors, dentists, nurses and other allied health service providers, are often promoted as solutions offering faster access to essential personnel. In practice, however, MRAs have yet to deliver the transformative effects anticipated.

⚠ While still the traditional trade policy instrument designed to ease temporary movement of skilled personnel, MRAs frequently stumble at the implementation stage. Trust must be established not only at the educational quality level, but also among diverse professional qualifications assurance, regulatory and licensing bodies, which can be a slow and politically fraught process. Regulators remain wary of ceding control over professional standards, fearing that rapid recognition of foreign credentials could undermine quality assurance or public confidence. And temporary movement of natural persons is often seen as a step associated also with permanent migration.

Many MRAs remain limited in scope, apply only to a select few professions, or are burdened by complex caveats that deliberately impede mass mobility. Qualified doctors and nurses continue to face years of procedural hurdles, and actual numbers of professionals travelling abroad remain far below policy targets.

This limited effectiveness partly also relates to an over-reliance on administrative solutions without addressing underlying constraints in trade and investment within tertiary education services. As aging societies hope to draw on the "surplus" health talent of economies with younger populations, the pipeline of qualified professionals itself may be hampered by underfunded medical schools, outdated curricula, and insufficient opportunities for advanced training. In many emerging markets, universities struggle to expand capacity or update teaching to meet international standards due to resource shortages and lack of global partnerships.

MRAs are inadequate trade policy instruments when education systems themselves cannot produce the volume or calibre of graduates required.The transfer of skills and experience demands more than a stamp of approval. It requires common training standards, joint accreditation schemes, and investment in continuous professional development.

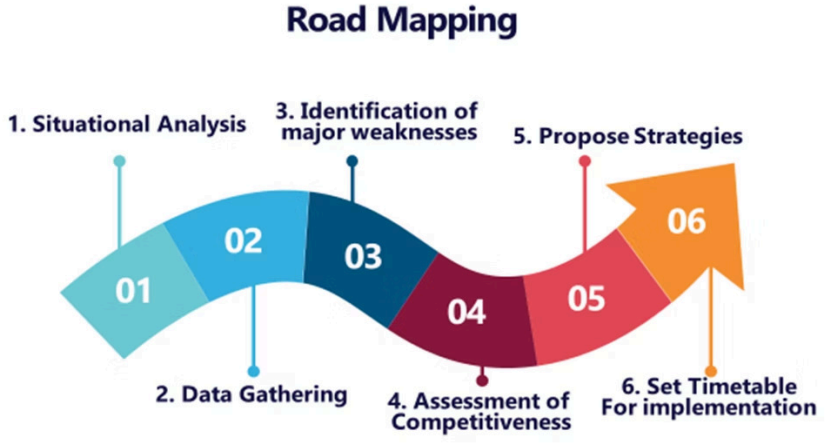
Without significant trade and new investment into tertiary education, through foreign partnerships, curriculum upgrades, research collaborations, and digital education platforms, developing economies may continue to face talent shortfalls at home. Only through sustained attention to internationalising education services can MRAs hope to become more than bureaucratic stopgaps.

> Christopher Findlay, a voice in the economics of trade and education policy, suggested: "We can only get so far with recognition arrangements. The real transformation happens when we invest in teaching, training, and partnerships – otherwise, we're just moving the deck chairs and hoping for the best."

If policymakers aim to unlock the potential of global workforce mobility, MRAs need to be seen as part of a broader strategy. That includes mobilizing capital for tertiary education, encouraging university twinning programmes, fostering public-private partnerships, and embracing digital learning to upgrade healthcare training on a regional scale. Only then can recognition arrangements live up to their promise, enabling not just mobility, but genuine advancement in care standards and innovation across borders.

The Case of the Philippines

Dr. Jose Y. Cueto Jr. MD, FPCS, FPSGS, MHPEd has been the Philippines Representative to the ASEAN Joint Coordinating Committee for Medical Practitioners (AJCCM), as well as Commissioner of the Professional Regulation Commission and Overall Coordinator for the Philippine Qualifications Framework



In the case of the Philippines, medical professional services competitiveness roadmaps were prepared in 2012, and updated in 2022, including the identification of persistent gaps and weaknesses. The main weakness has been the implementation of quality assurance systems, processes and practices.

Implementation of the Policies, Standards and Guidelines issued by the Commission on Higher Education (CHED) and monitoring of medical schools have been the major problems, with growth from 39 medical schools in 2012, to 78 in 2025.

The medical curriculum has been internationally benchmarked mainly against the US. Traditional destinations for many graduates have always been the US, Europe and the Middle East. After establishment of the ASEAN MRA for Medical Practitioners in 2009, Filipino physicians started to pursue postgraduate training in Singapore. In 2015, ASEAN member states agreed to confer temporary licensing or temporary registration in 5 areas:

Limited practice **Expert visits** **Education & Training** **Research** **Humanitarian missions**

Full registration remains difficult because economies retain their own individual requirements, which may include a licensure examination which may be given in the native language. The Philippines has exempted physicians from the ASEAN economies from the licensure examination when applying for admission to residency training programs in various specialties.

> **Dr. Cueto stated that "any roadmap towards an MRA must begin with addressing the main barriers to mobility. Foremost among them is compliance with domestic rules and regulations. The WTO-GATS four modes of supply have expanded the ways by which medical professionals can engage in the supply of services even without actual mobility of patients or service providers to foreign economies."**

Practical Proposals to Improve MRA Performance

Chris Ziguras presented an analysis of the uneven effectiveness of MRAs in the APEC region and set out a series of practical proposals to improve their performance. Ziguras argues that "progress hinges on moving beyond simple agreement at the government level to deeper engagement with professional bodies and educational institutions". He emphasised that MRAs need regular review and sustained management, rather than one-off negotiation, to remain relevant and effective as industry standards evolve.

Arjuna Nadaraja, an Australian expert in MRA policy, highlighted: "The key is building not just agreement on paper, but shared trust and genuine commitment to ongoing engagement. MRAs work best when regulators maintain close dialogue, resolve issues promptly, and treat cooperation as a living partnership, not a one-off exercise". He stressed that while MRAs can ease professional mobility, they benefit from regular reviews and practical alignment to domestic standards to deliver sustained value.

Strengthening stakeholder engagement

Consultation between professional associations, accreditation agencies, and education institutions is needed throughout the MRA lifecycle. Direct input from stakeholders helps ensure MRAs address practical requirements and can adapt to change.

Enhancing transparency and access

Clear communication is needed about recognition processes and requirements. Accessible information and simple, well-documented procedures encourage more professionals to take advantage of MRAs.

Regular monitoring and evaluation

Mechanisms should be instituted for periodic review of MRAs, with opportunities for feedback from all affected parties. This helps identify bottlenecks quickly and provides evidence for continuous improvement.

Building trust through reciprocity

MRAs need to foster genuine mutual benefit rather than one-sided mobility, so that both sending and receiving economies and their professionals see tangible gains.

> Ziguras noted: "If MRAs are to deliver on their promise, we need to move beyond signatures and statements. Ongoing cooperation, practical alignment, and strong stakeholder involvement are key - without these, recognition frameworks risk becoming paperwork, not pathways, for mobility and growth."

Rethinking MRAs in a Digital Age

Despite the growing number of MRAs, it is difficult to determine their real impact.

> “We have plenty of MRAs on the books, but whether they’re truly facilitating professional mobility or advancing our workforce remains an open question”, said Paul Howorth, regional expert.

The number of agreements matters less than their scope, and a lack of data on their actual use complicates assessment of their progress. The current approach is slow - taking decades for regional alignment - and risks falling behind technological change.

Howorth suggests it’s time for a new approach, noting,

> “Digital delivery challenges prevailing recognition approaches, but digital systems also offer opportunities to do things better”

Updating recognition means shifting from static qualification comparisons to dynamic competency assessments. Howarth advocates experimenting with regulatory sandboxes for digital solutions, stressing the need for capacity building and shared knowledge.

Developing economies, he observes, produce many professionals but see little resulting mobility due to persistent domestic regulatory barriers.

> “ASEAN’s MRAs are still locked up by homegrown rules,” Howorth pointed out.

He sees promise in a regional, data-driven market for labour, arguing, “A real-time skills exchange could drive workforce development and mobility.”

Ultimately, Howorth challenges whether traditional MRAs can keep up:

> “The future of recognition has to be both regional and digital - and maybe it’s time to shift towards market-led, rather than regulator led, recognition.”

Static qualifications won’t suffice in a fast-evolving marketplace. Testing new frameworks through sandboxes could help create more responsive and resilient systems for professional recognition.

New Skills Demands

A further complication is the growth of demands for new skills. Health professionals operate in an increasingly digital environment and they are expected to demonstrate relevant sets of competencies, with respect to the use of AI for instance. Some of these tasks and new forms of work are only recently defined.

> There may not always be formal education processes attached with this; and there may have a greater focus on competencies rather than formal qualifications.

Such skills can add to the competitiveness of international staff, but to facilitate their movement, the scope of existing MRA systems will also have to evolve.

Evolving World Trade in Health Services

As outlined earlier, international health services trade involves four distinct modes of supply - a framework central to understanding how care is delivered across borders. Each mode brings its own opportunities and challenges in the evolving landscape of international health services trade. Valerie Ulep from the Philippines Institute of Development Studies reviewed regional trends across the modes.

Mode 1: Cross-Border Supply

Digital Transformation and the growth in remote delivery of services (such as telemedicine, teleradiology, and e-health platforms) is reshaping how and by whom care and be provided. The COVID-19 pandemic hastened the adoption of cross-border consultations and on-going. Advances in cloud computing and online platforms enables start-ups to offer specialised services internationally, challenging established hospital services and decentralizing innovation.

Mode 2: Consumption Abroad

Medical tourism, where patients travel internationally to access quicker, cheaper, or treatments unavailable domestically. Mexico; Singapore; and Thailand have built thriving medical tourism industries. Mode 2's rapid rise has cemented medical tourism's importance to regional economies.

Mode 3: Commercial Presence

Health providers establishing facilities or enterprises in foreign markets, facilitating the flow of capital, expertise, best practices and management know-how.

Mode 4: Presence of Natural Persons

Despite significant demand for staff, the temporary movement of health professionals - doctors, nurses, and allied staff - to deliver services abroad, remains the least utilized mode. Constrained by policy hurdles and systemic inertia, it now competes directly with recent gains in mode 1. Meaningful progress in medical professional mobility will depend on complementary investment in professional education, the development of robust regulatory frameworks, and ongoing skills enhancement.

Opportunities and Challenges

Jane Drake-Brockman noted

“At a global level, while cross-border movement of medical professionals and increasingly cross-border movement of patients (eg medical tourism) are a significant part of the picture, exports of health services have traditionally been overwhelmingly delivered via commercial presence in the destination market. But online cross-border digital delivery of services is emerging – and is set to grow".

She stressed that this situation is

"bringing urgency to business needs for greater alignment of standards and interoperability across regulatory disconnects, including for medical data sharing and cross-border data flows.”

'We use all the modes'

Dr Prem Kumar Nair, Group CEO of IHH Healthcare, is widely recognised as one of Asia's most progressive hospital executives, with a career spanning clinical practice, international hospital management, and strategic health innovation. Under his leadership, IHH Healthcare has expanded into a global network operating in major medical hubs including India; Malaysia; Singapore and Turkey. In his presentation to the SOM3 meetings, Dr Prem explained that he and his team have deliberately embraced all four modes of health services supply - cross-border digital delivery, medical tourism, commercial investment abroad, and the expert movement of health professionals - positioning IHH at the forefront of global healthcare integration.

15%

Medical Tourism Occupancy

Foreign patient admissions contribute a significant share of revenue at IHH hospitals

12,000

Bed Capacity in 2023

Increased by 50% over the last 5 years through acquisition and partnership strategies

6%

Nurse Population Growth

IHH has grown its nurse population in Singapore, addressing local workforce needs

Mode	IHH Healthcare Implementation	Key Benefits
Mode 1: Cross-border supply	Telemedicine, remote diagnostics, digital health platforms	Extended reach beyond physical facilities, international expertise access
Mode 2: Consumption abroad	Medical tourism in India; Malaysia; Singapore; and Turkey	Higher occupancy rates, diversified revenue streams
Mode 3: Commercial presence	Hospital investments across Southeast Asia and Europe	Export of management expertise, clinical best practices
Mode 4: Presence of natural persons	Staff rotation programs, structured recruitment	Addressing workforce needs, enhancing clinical outcomes

As the hospital sector adapts to changing patient flows, cost pressures, and the need for sustainable growth, IHH Healthcare's commitment to deploying all four modes of supply stands out. It enables the hospital group to meet diverse patient needs, integrate global talent, diversify revenue streams, and deliver care innovations - while laying the groundwork for a more resilient and internationally connected healthcare network.

Building Agile Standards Through International Cooperation

Implementing effective standards demands an approach that fosters agility and openness, particularly as new digital platforms and AI continue to reshape services sectors. The objective is to create flexible environments where compliance and experimentation can coexist, enabling rapid innovation while upholding core principles.

Technical Standards by Private Sector

Private sector entities, including companies, technical consortia, and industry associations, are crucial in designing technical standards, best practices, and interoperability frameworks. They develop protocols that reflect real-world needs, global market conditions, and emerging technologies, often ahead of regulatory cycles.

Regulatory Principles by Public Authorities

Public authorities play a critical role by articulating overarching principles like privacy, safety, fairness, and equitable access. They provide policy stability, legitimacy, and incentives for trusted cross-border collaboration, ensuring that these principles align with broader social and economic objectives.

International alignment is key to this agile approach. Initiatives through fora such as APEC and ABAC are vital in promoting common understandings and reducing fragmentation, ensuring that standards facilitate rather than hinder cross-border trade and innovation.

Government support is essential, not just in regulation but also in providing foundational digital infrastructure. This includes investment in high-speed broadband, robust cybersecurity measures, and comprehensive digital education programs. Furthermore, skills development for workers across various industries is critical to ensuring the workforce can adapt to evolving digital standards and leverage new technologies.

The importance of cross-border regulatory cooperation cannot be overstated, as it is fundamental to developing interoperable systems that allow for seamless data flows and digital trade.

> "Achieving the right balance in standards setting is an ongoing challenge. It's a balancing act between agility and stability, between enabling innovation and ensuring trust and security for all stakeholders."
>
> — Hildegunn Kyvik Nordås, Senior Associate, Council for Economic Policies.

Finding the ‘Sweet Spot’

The timing and strategy of setting technology standards is gaining attention in policy debates, especially as AI and digital platforms increasingly shape international commerce. At the recent APEC SOM3 meetings in Incheon, Hildegunn Kyvik Nordås highlighted that there is a 'sweet spot' for standards adoption: the optimal moment when setting rules and norms will protect users and markets without locking in outdated technology or impeding fresh innovation.

> According to Kyvik Nordås, "If standards are set too early, before technology is mature, you risk inhibiting innovation and closing the door on newer, better solutions. But if you wait too long, markets fragment and interoperability suffers, making cross-border business harder for everyone." This concept of the 'sweet spot' reflects the delicate balance regulators must strike between providing stability for investment and maintaining flexibility for ongoing technological change.

Kyvik Nordås' insight is especially relevant to the public-private partnership model now seen as best practice for standards development. In this model, the private sector takes the lead on technical design and deployment - quickly adapting to new discoveries and market needs - while governments lay out broad principles, policy objectives, and essential public requirements for trust, safety, and societal benefits.

A good approach to digital trade and AI standards recognises that rigid, one-size-fits-all regulation can stifle promising business models and hinder small and innovative firms, as well as clash with local cultural expectations. Kyvik Nordås' ‘sweet spot’ argument supports a collaborative process: engage industry experts to design, test, and revise technical standards, and allow public authorities to set core goals like privacy, accountability, and interoperability. By resolving standards issues in a way that minimizes barriers to experimentation and international participation, regulators can foster competitive digital economies that continually evolve.

Kyvik Nordås' message underscores that well-designed public-private partnerships - and careful timing - are essential for standards that protect users and markets, while supporting continued growth of AI and cross-border digital trade.

Shifting the Default

As services become the main driver of growth across Asia-Pacific, calls are emerging for APEC to continue to develop its Good Regulatory Practice (GRP) principles to reflect the needs of the regional digital economy. Mia Mikic, PECC New Zealand representative speaking at the recent SOM3 meetings, observed: "The regulatory environment hasn't kept pace with the borderless and increasingly digital nature of services," and cautioned that fragmented rules and 'not fit-for-purpose' standards now risk holding back regional integration.

Many experts argue that the current GRP framework encourages transparency and consultation but treats international cooperation largely as an optional supplement.

Rather than calling for sweeping new mandates, Mikic and her peers advocate for shift: making cooperation among APEC members the default, not the exception. "We don't necessarily need heavy-handed rules," said Mikic, "but we do need to create an expectation that if a regulatory challenge spans borders, regulators will automatically look for regional or joint solutions, leveraging the concept of equivalence wherever possible."

From Optional to Default

Shifting international cooperation from an optional supplement to the default approach for cross-border regulatory challenges.

Structured Dialogue

Encouraging regular, structured dialogue between regulators across APEC economies.

Joint Solutions

Making practical international alignment part of the standard policy process for shared challenges.

By encouraging regular, structured dialogue and making practical international alignment part of the standard policy process, APEC can help ensure its regulatory toolkit remains fit-for-purpose in a services-focused economy.

This isn't about abandoning economy-level autonomy but about embedding cooperation as the default when facing shared challenges - especially those that impact the increasingly digital and integrated services sector.

Jed Horner (TikTok) on Regulation

Horner (Product Policy, Trust & Safety) reflected on regulatory requirements and compliance measures that create challenges for digital platforms operating across economies. These include local regulatory requirements such as different technical standards across jurisdictions, varying compliance requirements for AI and content moderation systems, data storage, and divergent safety and security regulations.

These differences can be problematic because they create real barriers to harmonisation for companies trying to operate efficiently globally.

They can become barriers to investment as investors face different rules in each market.

They can ironically become barriers to safety because they can, in some cases, prevent the efficient deployment of AI safety systems that work best at global scale.

Horner argued that instead of each economy creating its own unique regulatory framework, there was value in international harmonisation. He was particularly concerned that well-intentioned data regulations, when implemented differently across economies, can actually undermine the global, coordinated safety systems that platforms like TikTok adopt to protect users.

APEC and the 'Missing Piece'

In the final year of implementation of the decade-long APEC Services Competitiveness Roadmap, Jane Drake-Brockman observed that it is useful to recall the APEC/GOS big achievements but also to ask, especially from a business perspective, what is yet missing in the APEC tool kit.

"Among the very big achievements was agreement to the APEC Non-Binding Principles for Domestic Regulation of the Services Sector. It was Korea that championed that process. And what a success it has proved; those principles rapidly became the template for chapters in regional and bilateral FTAs and found their way, almost unchanged, into the WTO Reference Paper on Services Domestic Regulation. This work was a very significant APEC contribution to global trade in services. The US then took on the essential very important task of championing consistently the regional implementation process; as business always says, 'it's all very well to agree on something, but it needs to be implemented.

“These principles explicitly refer to technical standards. And in the last few years, GOS work has necessarily intensified its focus on digital services including issues around digital standards. Standards now come up in most GOS conversations, especially in consultation and public/private dialogue with stakeholders, many of whom have been advocating for APEC to spear-head a WTO -Technical Barriers to Trade (TBT) - type understanding on services.

"In the context of capacity-building for implementation of APEC principles on domestic regulation of the services sector, the US promoted independent research, findings from which are reflected in a recent background non-paper *Envisioning Next Generation Technical Standards Principles*, distributed during the SOM 3 meetings. The non-paper recommends that APEC should consider including TBT- type principles in the regional services trade toolkit."

1

The practical process of implementing the APEC principles has identified a gap, a missing piece in the APEC toolkit. The piece is a set of principles to give greater guidance on the technical standards development process.

2

“The business community has actively called for action in this respect, and APEC has listened. APEC has an opportunity now to deliver the missing piece.”

Jane Drake-Brockman

Tackling Barriers to Data Sharing

APEC's business leaders are proposing new models of cross-border data sharing, viewing them as a vital engine for expanded AI innovation across the region. A proposal from ABAC calls for systematic work to modernise how economies share data; this business thought-leadership was welcomed by participants in a recent SOM3 workshop in Incheon.

As AI rapidly integrates into sectors like healthcare, access to high-quality, diverse data is now seen as the key to unlocking further breakthroughs.

ABAC's push aims to break down the old barriers of siloed data (information that is stored separately within different organisations or departments, making it inaccessible to others and hindering collaboration or comprehensive analysis) and incompatible frameworks (systems, protocols, or legal standards for handling data that differ across organisations or economies, resulting in technical or regulatory barriers to efficient and secure data sharing).

Building trusted, flexible systems for data sharing not only supports digital transformation for companies of all sizes but also gives AI the fuel it needs to learn and innovate in a range of services.

> At the recent SOM3 sessions, Dr Jun Suzuki, ABAC Japan, emphasised:
>
> “Enabling trusted, privacy centric data sharing across borders is essential to unlock the value of digital technologies.” He pointed to building practical, secure data platforms as a way to help APEC economies advance inclusive and innovative healthcare while respecting the differences in healthcare systems and the sovereignty of each economy.

Show Case: *Japan's New Balanced AI Policy Model*

Opinion piece by Yoko Konishi, Professor, University of Tsukuba; Senior Fellow, Research Institute of Economy, Trade and Industry (RIETI)

Written at the invitation of the editors following the 'GOS: EC-GOS Joint Workshop on Services and Structural Reform'

Japan has developed a distinctive approach to AI policy, positioning safety frameworks as enablers of, rather than constraints on, the adoption of technology. The government acts as an "infrastructure provider for safe AI development" and does not emphasise penalties or restrictions. Established primarily by the Ministry of Economy, Trade and Industry and the Digital Agency, the Interagency AI Safety Institute (AISI) links safety guidelines to economic promotion.

The 2025 AI Act institutionalised a "soft law" model and established the AI Strategy Headquarters under the direct control of the Prime Minister. Instead of financial penalties, this system publicises the names of businesses found to be misusing AI. This approach highlights how enforcement mechanisms must align with cultural and business norms to be effective.

The "Guidelines for Procurement and Utilization of Generative AI for Evolution and Innovation in Public Administration" were also announced in May 2025. These guidelines establish rules to ensure transparency, accountability, and reliability in the use of AI in the public sector. Furthermore, to address the gap between large and small businesses, the government is providing regulatory interpretations, compliance support tools, and supportive infrastructure, encouraging broad participation while maintaining safety standards.

AISI also encompasses soft law principles, publishes open-source safety assessment tools, and has developed a "Business Demonstration Working Group Vision Paper" and a "Data Quality Management Guidebook". These achievements, along with international collaboration, have enabled Japan to reduce regulatory fragmentation, increase interoperability, and lower compliance costs. As a result, small and medium-sized enterprises (SMEs), as well as overseas companies, can participate more confidently in cross-border AI services.

Japan's core insight lies in redefining safety as the foundation for innovation. A clear risk mitigation framework can enhance business confidence and foster investment in AI applications across various sectors, including manufacturing, agriculture, healthcare, and entertainment. Safety inspires trust, thereby encouraging adoption, which in turn results in a virtuous cycle: the accumulation of new data and the further refinement of guidelines. A well-designed safety infrastructure can be a competitive advantage, not a regulatory burden.

From my perspective, the government's willingness to prioritise building infrastructure and ensure flexibility for the private and public sectors is striking. In contrast to the European Union's strict regulatory approach and the more permissive framework in the United States, Japan presents a balanced model. The Japanese model demonstrates that positioning safety as a foundation for progress, rather than an instrument of enforcement, can foster trust and innovation.

ABAC's Five-Step Framework for Cross-Border Data Sharing

ABAC proposes a practical five-step framework to unlock the full potential of cross- border data flows, seeing this as essential for fostering AI innovation and supporting regional digital transformation.

Identify Data Silos

Recognize where valuable data is isolated within organizations or economies, hindering broader access and utilization.

Develop Common Standards

Create compatible frameworks for data sharing that respect privacy and security, ensuring interoperability across different systems.

Build Trust Mechanisms

Implement robust governance systems that ensure responsible data use, safeguarding user interests and fostering confidence.

Enable Cross-Border Flows

Remove unnecessary barriers to data movement while maintaining appropriate safeguards, facilitating seamless information exchange.

Fuel AI Innovation

Leverage diverse data pools to train more effective and impactful AI systems across various sectors, from smart transport to digital commerce.

This framework is built on ABAC's public-private partnership model, which emphasises collaboration between industry experts and public authorities in shaping standards. This agile approach allows regulation to evolve alongside technological advancements, preventing rigid rules from stifling innovation.

The framework underscores the importance of diverse cross-border data pools for AI training, recognising that a wide range of data is crucial for developing sophisticated and unbiased AI models. Enabling these data flows holds significant benefits for sectors like smart transport and digital commerce, driving efficiency, personalisation, and new services across the region.

Powering the Business of AI

Industry leaders and policymakers are sounding the alarm over the soaring energy demands of data centres, as AI continues its explosive growth in the digital economy. At a recent APEC Workshop during SOM 3, Jan De Silva, ABAC Canada, highlighted the scale of the problem: "Between 2018 and 2021, the electricity consumption of the 13 largest data centres doubled - and will double again - driven by accelerating applications like AI and blockchain."

De Silva noted that the International Energy Agency now forecasts that data centres already consume roughly 415 terawatt-hours of electricity a year worldwide - about 1.5% of global electricity use. But as AI adoption accelerates, that figure could more than double to 945 terawatt-hours by 2030, a level surpassing that of entire economies such as Japan. The main driver is not just the volume of data but the computational demands of training and running powerful AI models and generative applications, which require far greater processing power than traditional IT services.

These shifting patterns in energy use have far-reaching consequences. Utility companies are already facing mounting costs for grid upgrades, while new data centre projects frequently stall due to slow approvals and inadequate infrastructure. Industry analysts note that securing land, permits, and grid connections can now take as long as seven years in some advanced markets. Without sufficient energy supply and transmission upgrades, the expansion of AI-driven services will hit persistent bottlenecks. Such bottlenecks risk creating binding constraints on digital trade. Structural reforms in the energy services sector will need to intensify to avoid negative impacts on regional trade and investment.

1

Environmental Impact

The carbon footprint of data centres is set to triple by the end of this decade, and their huge water requirements for cooling infrastructure are putting pressure on local ecosystems.

2

Energy Efficiency Solutions

Companies are deploying AI itself to reduce their data centre energy footprint, through predictive maintenance, smart workload management, and real-time adjustments.

3

Alternative Technologies

The sector is investing in alternatives such as low-power processing units and solar integration, aiming to meet both regulatory requirements and rising consumer expectations for sustainability.

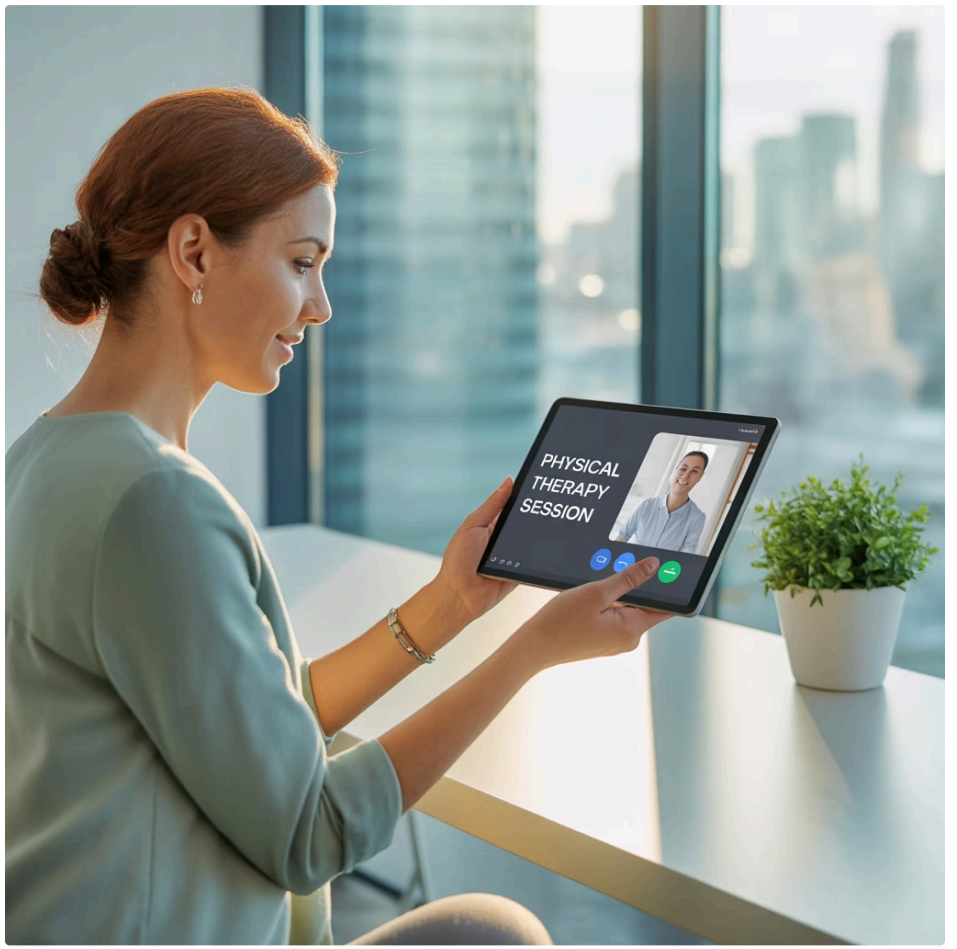
Ultimately, as Jan De Silva warned, the global race to build energy infrastructure and reach new environmental standards will determine not just the pace of AI adoption, but the future competitiveness of entire economies. The solution lies in balancing innovation with robust investment in grid and data centre infrastructure.

SMEs & Start-ups Aim for International Scale

Interview with Alison Stokes: CEO, Beyond the Clinic

Beyond the Clinic, founded by Alison Stokes, is a health technology startup offering a digital platform for managing musculoskeletal (MSK) conditions, such as joint pain, osteoarthritis, and rehabilitation after surgery. By using telemedicine, AI-based decision support, and secure digital monitoring, the platform enables patients to receive personalised care remotely, empowering them to track progress and engage with clinicians between traditional appointments.

To operate internationally, Beyond the Clinic can adapt its platform for local regulatory and clinical requirements, partner with healthcare providers in various economies, and support multilingual patient education, thereby expanding accessible, high-quality MSK care across borders and improving outcomes while easing the pressures on local health systems.



But SMEs and Start-ups Face Challenges

> **Q: What is the biggest challenge facing startups who want to work across borders?**
>
> **Alison Stokes**: The pace of change is exciting, but the hurdles are real. Fast, reliable digital infrastructure and clear, consistent regulations are vital. Many young businesses can't afford to stumble over slow internet, confusing rules, or endless paperwork.

1	**Affordable and High-Quality Connectivity** Startups depend on digital tools and fast networks to reach their customers and partners.
2	**Simpler and More Transparent Regulations** Especially around data, payments, and digital licensing.
3	**Public-Private Partnership** The best rules come from real dialogue, not just from above.
4	**Tailored Training and Expert Networks** Let SMEs and startups compete, not just survive.
5	**Talent Mobility** Making it easier for skilled people to move across borders fuels innovation and helps businesses grow faster.

> **Q: Why is collaboration between founders and public officials so important?**
>
> **Alison Stokes**: We are close to the ground and see market needs as they shift. Policies don't work if they're designed in isolation. When governments listen and co-design solutions with industry, everyone benefits—and it's much easier to adapt to new challenges.

Stokes' Message to Policymakers

Q: What message would you give to policymakers in the region?

Alison Stokes: “Startups don't need protection - we need a platform. If governments invest in connectivity, simplify the rules, and actively partner with founders, new ideas will scale regionally and beyond. Asia-Pacific has the talent and ambition to lead in innovation - we just need the right support to make it happen.”

Platform, Not Protection

Startups need supportive infrastructure and frameworks rather than protective barriers

Connectivity Investment

Reliable, high-speed digital infrastructure is essential for cross-border innovation

Simplified Regulations

Clear, consistent rules that enable rather than hinder international operations

Active Partnership

Collaborative approach between governments and founders to co-create solutions

Stokes' message emphasises that the Asia-Pacific region has tremendous potential to lead global innovation in digital health and cross-border services. By creating the right enabling environment, policymakers can help startups like Beyond the Clinic scale their solutions regionally and globally, ultimately benefiting healthcare systems facing demographic challenges and resource constraints.