Asia-Pacific Economic Cooperation

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

APEC Policy Support Unit

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1. INTRODUCTION

When the APEC Putrajaya Vision 2040 was adopted by APEC Economic Leaders in 2020, it envisioned "an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations" (APEC, 2020). This vision identified three economic drivers, each prefaced with a goal:

1. To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy;
2. To empower all our people and businesses to participate and grow in an interconnected global economy; and
3. To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics, and other emergencies.

Accomplishing this commitment needed a strategic and collaborative approach across the APEC region. Hence, the Aotearoa Plan of Action (APA) was adopted in 2021. The APA identified six objectives related to topics under the purview of the Committee on Trade and Investment (CTI) to be evaluated in the manner shown in Table 1.

Table 1. APA objectives related to the areas of work of CTI

#	Objective	Evaluation of progress
1	To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment	APEC's trade and investment environment is free, open, fair, non-discriminatory, transparent and predictable
2	We reaffirm our support for agreed upon rules of the WTO in delivering a well-functioning multilateral trading system and promoting the stability and predictability of international trade flows	Growth of international trade flows in the region become more stable and predictable including with increased coverage of WTO rules, through APEC members' effective and transparent implementation of existing and future commitments
3	We will further advance the Bogor Goals and economic integration in the region in a manner that is market-driven, including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings	Economic integration occurs in the region by advancing the unfinished business of the Bogor Goals in a manner that is market-driven and through the development of high standard and comprehensive regional undertakings
4	We will promote seamless connectivity, resilient supply chains and responsible business conduct	To promote seamless connectivity, resilient supply chains and responsible business conduct, APEC economies will improve physical, institutional and people-to-people connectivity
5	We will strengthen digital infrastructure, accelerate digital transformation, narrow the digital divide, as well as cooperate on facilitating the flow of data and strengthening consumer and business trust in digital transactions	The region improves digital connectivity among economies, businesses and people including by enhancing trust and security in the use of ICTs, accessibility and affordability of digital infrastructure in the region, broadening participation in the digital economy, and

		cooperating on facilitating the flow of data and strengthening consumer and business trust in digital transactions
6	We will promote economic policies, cooperation and growth, which will support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet	APEC's growth and prosperity is achieved on an increasingly environmentally sustainable basis

Source: Adapted from APEC (2021a).

To ensure that APEC remains on track to fulfilling these aspirations, the APA stated that "with assistance from the PSU, APEC economies will evaluate progress towards achieving the APEC Putrajaya Vision 2040." Thus, the first report evaluating progress on trade and investment was published in October 2023 (APEC, 2023a). The report highlighted signs of post-pandemic recovery in both trade and investment, the improvement of regional connectivity, and greater participation in the digital economy. However, it also identified areas for improvement, such as a review of non-tariff measures (NTMs) and restrictions related to services trade.

Continuing its support, this second report evaluating progress on trade and investment offers an updated assessment that can serve as an input for CTI to report to Senior Officials on the progress done by APEC to implement the APA and achieve the APEC Putrajaya Vision 2040.

2. EVALUATION OF APEC-WIDE PROGRESS

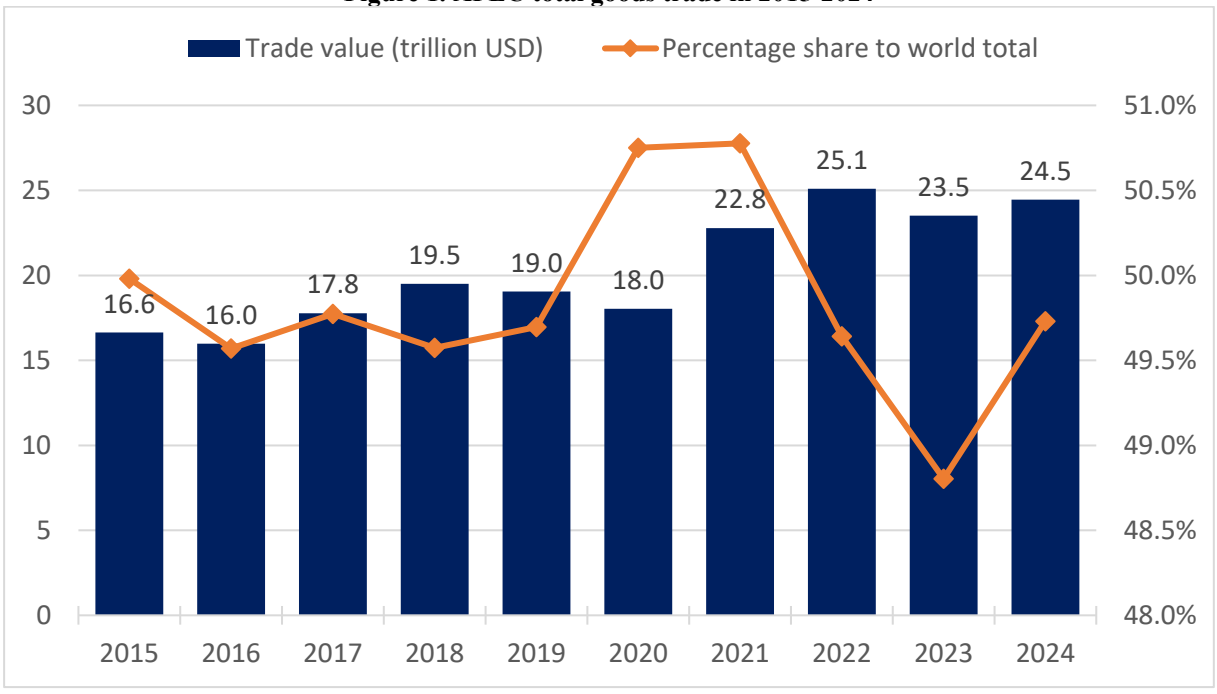
2.1 Ensuring that the Asia-Pacific remains the world's most dynamic and interconnected regional economy

Trade and investment have always played a key role in ensuring that the Asia-Pacific remains the world's most dynamic and interconnected regional economy. This requires concerted efforts to grow international flows in merchandise and services trade as well as investments across the region. Accomplishing this aspiration, however, entails the formation and maintenance of a conducive policy environment that is free, open, fair, non-discriminatory, transparent, and predictable. Improving APEC members' participation in World Trade Organization (WTO) rules, strengthening economic integration, and promoting connectivity are also beneficial.

2.1.1 Promoting the stability and predictability of merchandise trade flows

Merchandise trade has always been a significant part of APEC's regional economy. Its contribution to APEC gross domestic product (GDP), for instance, ranged between 34 percent to 41 percent over the past decade.[1] Consequently, this significant share has also made APEC a key player in the global economy, accounting for between 49 percent to 51 percent of global goods trade in 2015–2024 (Figure 1). However, APEC experienced a continuous decline in its share of global goods trade amid the COVID-19 pandemic, although early signs of recovery can be seen in 2024. Similarly, the value of APEC goods trade has started to recover in 2024 after falling from USD 25.1 trillion in 2022 to USD 23.5 trillion in 2023.

Figure 1. APEC total goods trade in 2015-2024



Source: APEC Policy Support Unit (PSU) calculations using data from the WTO (accessed 22 September 2025).

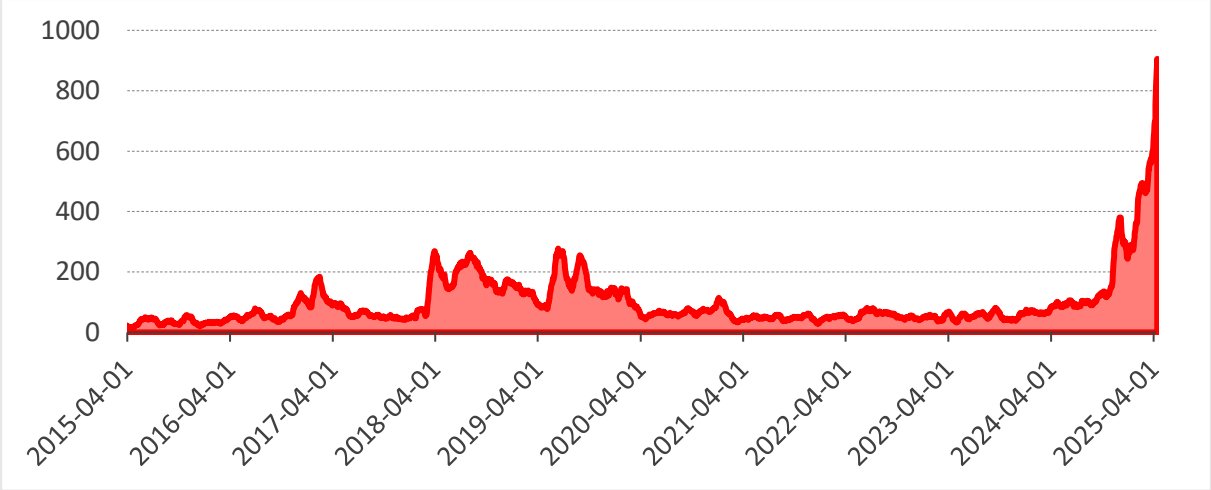
Continuous trade cooperation is essential to sustain growth and prosperity among APEC economies. However, recent trade developments and rising tensions are bringing greater uncertainty to global trade and affecting the prospects of APEC's future trade performance. In

[1] APEC PSU calculations using data from StatsAPEC (https://statistics.apec.org/), accessed 1 May 2025.

fact, the Trade Policy Uncertainty Index[2] indicates that uncertainty has been pushed to its highest level since the earliest data available dating back to 1960 (Figure 2). This heightened uncertainty can potentially undermine business confidence, thus prompting investors and manufacturers to reassess their market strategies and to delay decision-making (UNCTAD, 2025).

Such uncertainty can also significantly affect global merchandise trade volumes. In response to this heightened trade uncertainty, the WTO revised its global merchandise trade volume growth forecast for 2025 from 2.7 percent (baseline) to a contraction of 0.2 percent, reflecting a sharp slowdown (WTO, 2025). This downward adjustment highlights how trade uncertainty can disrupt supply chains, delay investments, and suppress cross-border trade. Moreover, it highlights the importance for APEC economies to maintain a policy environment that promotes steady growth in goods trade.

Figure 2. Trade Policy Uncertainty Index in 2015–2025

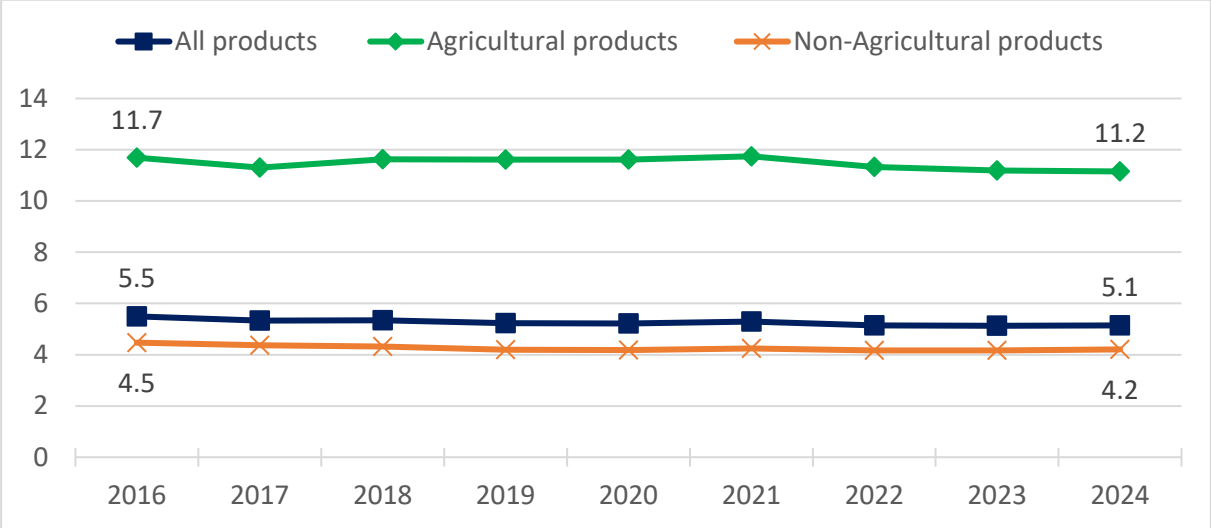


Note: September 2024=100.
Source: APEC PSU calculations using data from the Economic Policy Uncertainty (accessed 20 April 2025).

Trade in goods could be significantly affected by its policy environment. Tariffs could be one of the factors that affects it. Over the past years, APEC's most-favoured-nation (MFN) tariff rates steadily declined across all product categories from 5.5 percent in 2016 to 5.1 percent in 2024 (Figure 3). Breaking down into MFN tariffs applied to different products, however, shows that rates on agricultural goods have consistently remained higher than those on non-agricultural goods—a difference of 6.9 percentage points in 2024.

[2] The Trade Policy Uncertainty Index is calculated according to the frequency of occurrences of uncertainty terms across major newspapers, specifically based on newspaper coverage, firms' earnings conference calls, and aggregate data on tariff rates. For more on this index, see: https://policyuncertainty.com/.

Figure 3. APEC average MFN tariffs in 2016-2024, by category (percent)



Source: APEC PSU calculations using data from the WTO (accessed 22 September 2025).

Apart from tariffs, NTMs could be another factor that affects the policy environment for merchandise goods trade. NTMs are measures other than tariffs that can potentially have an economic effect on international trade in goods.[3] Some examples include quotas, import licenses, and subsidies, among others. Compared to tariffs, NTMs are more challenging to track and quantify since it is often based on broader policies.

Moreover, even if some NTMs are implemented to pursue legitimate policy objectives, NTMs can still inadvertently make international trade more unpredictable and costly. For instance, differing domestic standards that deviate from international ones may result in additional costs on trade, especially for producers. Meanwhile, other NTMs such as local content requirements that mandate goods to have a minimum percentage of domestically-sourced components can limit producers to goods that could be less competitive compared to foreign ones (Deringer et al., 2018).

Apart from imposing additional costs, NTMs can also contribute to uncertainty in the policy environment. In particular, growing concerns from the gap between notified and implemented measures undermines transparency among trading partners (Reinsch et al., 2020). When information about policy details, implementation timelines, and affected products are unclear, businesses and policymakers could face challenges in assessing the potential economic impact of such measures.

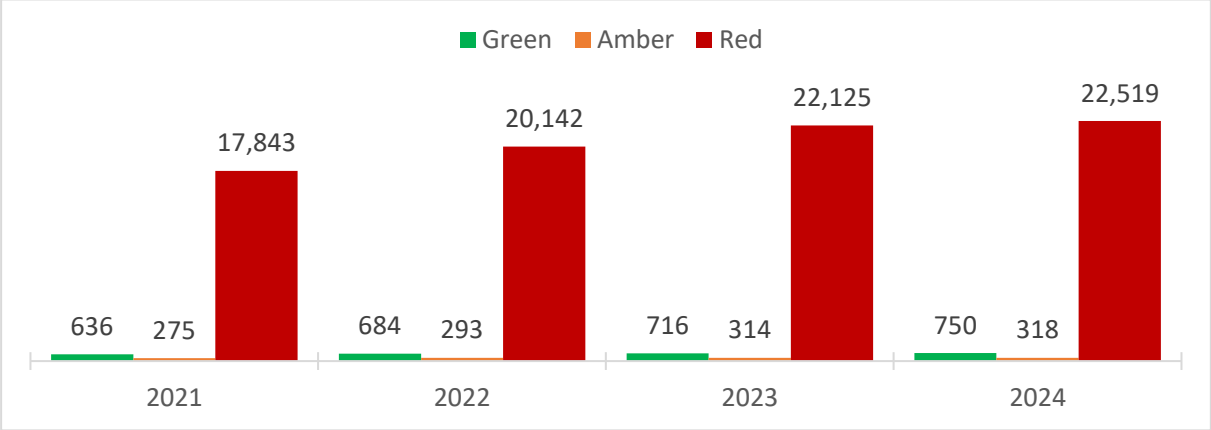
Recognizing these challenges, the APEC Cross Cutting Principles on Non-Tariff Measures adopted in 2018 highlighted a set of guiding principles, including that NTMs should be harmonized with international standards and relevant WTO Agreements (APEC, 2018). In addition, closely monitoring NTMs can help identify their trade impacts and support a more transparent regulatory environment in the region.

One way to monitor NTMs is by examining the number of flagged measures compiled by the Global Trade Alert (GTA) team. The latest data indicates that the number of flagged NTMs implemented by APEC economies has surged over the past few years, increasing from 18,754 measures in 2021 to 23,587 measures in 2024 (Figure 4). Moreover, a greater proportion of

[3] For more on NTMs, see: https://unctad.org/topic/trade-analysis/non-tariff-measures.

these were flagged as discriminatory (red) to international trade in the region.[4] A breakdown of these discriminatory NTMs reveals that subsidies and other forms of support represented the most frequently flagged interventions in 2024, accounting for about 64.4 percent of the total discriminatory NTMs. This is followed by export-related measures that account for 24.0 percent.

Figure 4. Cumulative number of NTMs implemented by APEC economies in 2021–2024, by category



Note: Cumulative number since 2008. Measures in force as of year-end. Each policy is counted only once, regardless of how many economies were reportedly affected.
Source: APEC PSU calculations using data from the GTA database (accessed 9 January 2025).

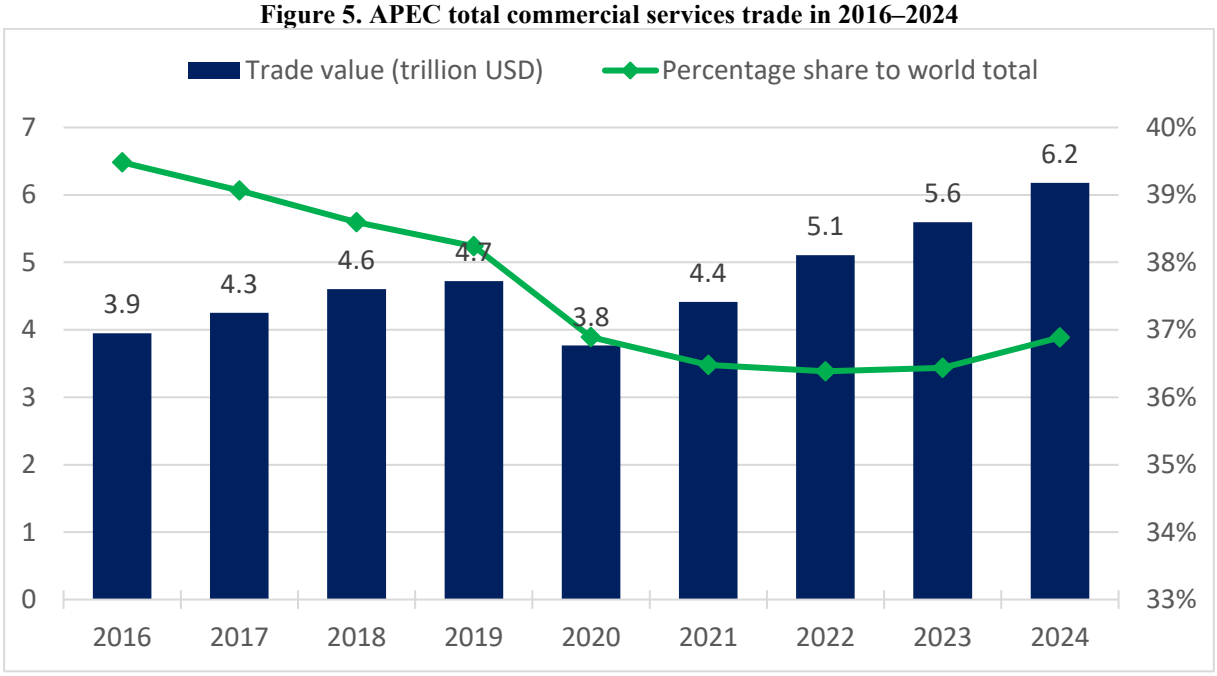
2.2.2 Promoting the stability and predictability of services trade flows

Besides goods, commercial services are also an important part of the APEC regional economy. APEC's services sector makes up around two-thirds of APEC's GDP, while employment in services makes up more than half of total employment in 15 APEC economies (Wirjo et al., 2021). With globalization and the rising trend of digital transformation, many services are no longer confined to domestic markets. Service providers increasingly deliver services across borders, contributing to the growing trend of international trade in services.

Trade in services has been growing in APEC. Latest data shows that the value of APEC trade in services has increased from USD 3.9 trillion in 2016 to USD 6.2 trillion in 2024 (Figure 5). Despite the increase in value, APEC's share of world total services trade has yet to return to its 2016 peak, although it has begun to rebound in recent years.

[4] The GTA database classifies interventions into red, amber and green (Evenett et al., 2022). Red: The intervention almost certainly discriminates against foreign commercial interests; Amber: The intervention likely involves discrimination against foreign commercial interests; Green: The intervention liberalises on a non-discriminatory (i.e., MFN) basis; or improves the transparency of a relevant policy

Figure 5. APEC total commercial services trade in 2016–2024

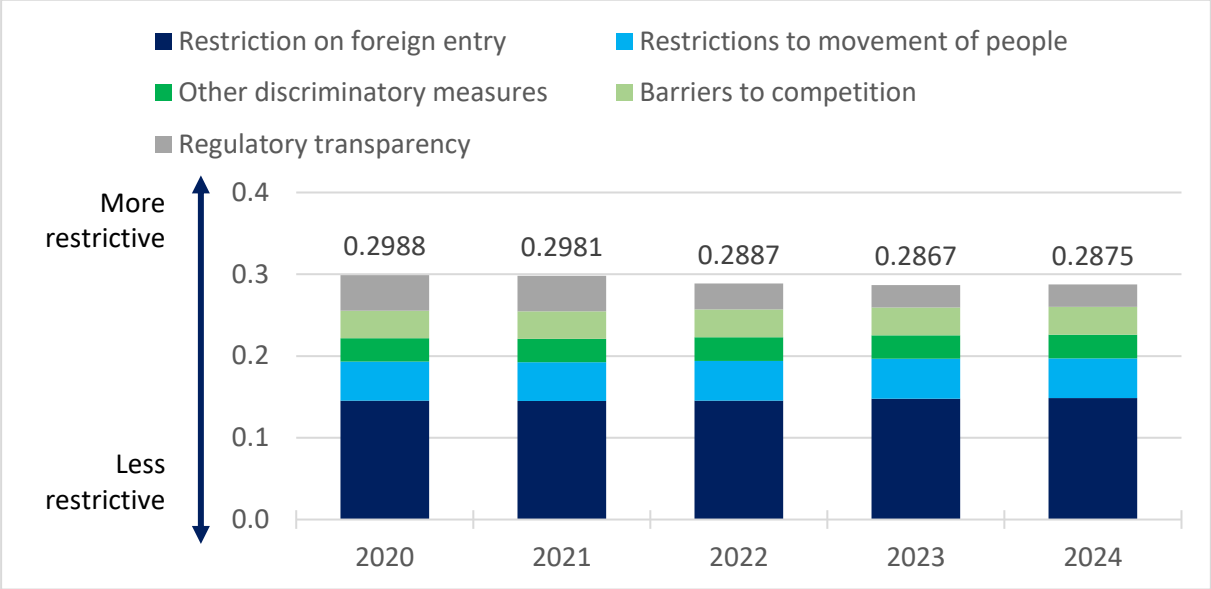


Source: APEC PSU calculations using data from the WTO (accessed 22 September 2025).

A progressively less restrictive policy environment could promote trade in services. By lowering barriers, APEC economies can strengthen competitiveness and gain better access to foreign innovation and expertise, for example, through the interoperability of regulatory frameworks such as those promoting mutual recognition (OECD, 2024a). One way to assess restrictions in the policy environment in services trade is through the APEC Index, which assesses restrictions using scores ranging from 0 (open) to 1 (closed).[5] The average APEC Index scores shown in Figure 6 indicate that APEC's overall policy environment has become less restrictive between 2021 and 2024, with the score decreasing from 0.2988 to 0.2875. Among all five policy categories, 'restrictions on foreign entry' has remained the most restrictive policy area, contributing around half of the average APEC Index scores. This is a concern since these measures may deter foreign firms from establishing operations in an economy.

[5] The APEC Index evaluates the restrictiveness of the services trade policy environment across 22 sub-sectors and 18 economies by using scores ranging from 0 (open) to 1 (closed). It assesses five policy categories: (1) restrictions on foreign entry; (2) restrictions to movement of people; (3) other discriminatory measures; (4) barriers to competition; and (5) regulatory transparency.

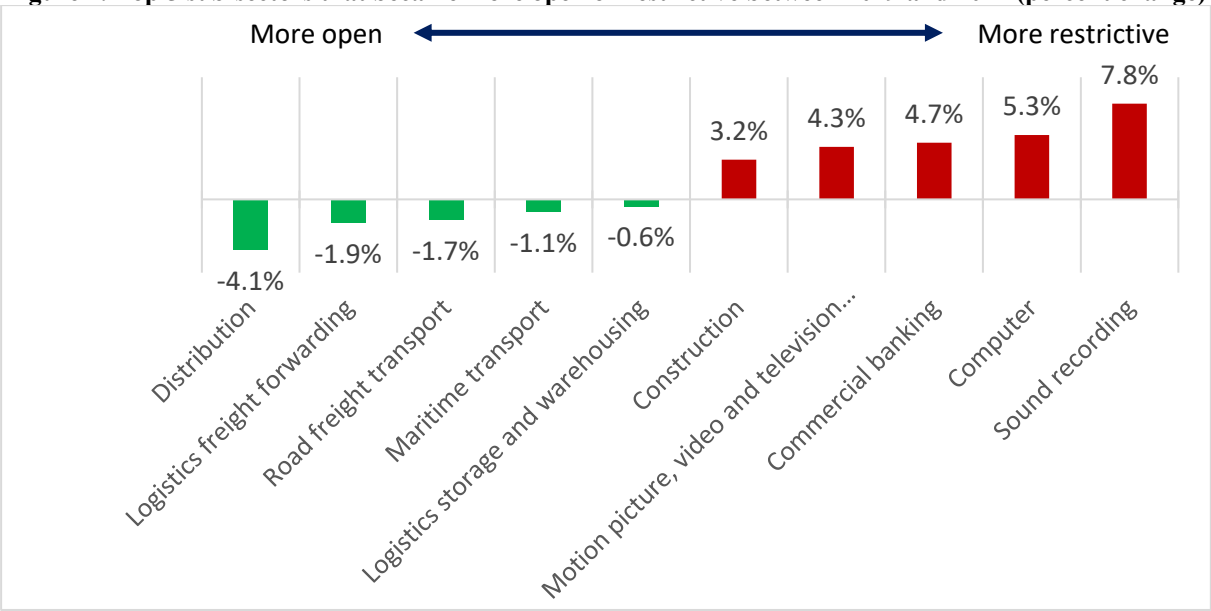
Figure 6. Average APEC Index all-sector scores in 2021–2024, by policy category



Note: Scores are from 0 (open) to 1 (closed). Data labels refer to the total average score. Average across all sectors covered by the APEC Index. Sector-specific APEC Index scores may not be available for certain economies. This APEC aggregate does not include Brunei Darussalam; China; and Hong Kong, China due to data unavailability.
Source: APEC PSU calculations using data from the APEC Index and the OECD (accessed 28 February 2025).

Despite overall progress in removing restrictions, a careful analysis by sub-sectors shows an uneven progress. In particular, the distribution sub-sector removed the most trade barriers between 2019 and 2024, with its average APEC Index score falling by 4.1 percent (Figure 7). This is followed by certain logistics and transport services with a more modest improvement ranging from –0.6 percent to –1.9 percent. In contrast, restrictions in the sound recording sub-sector increased the most over the same period, with its average APEC Index score rising by 7.8 percent.

Figure 7. Top 5 sub-sectors that became more open or restrictive between 2019 and 2024 (percent change)



*Motion picture, video and television programme activities
Note: Calculated using the average APEC Index scores. Sector-specific APEC Index scores may not be available for certain economies. This APEC aggregate does not include Brunei Darussalam; China; and Hong Kong, China due to data unavailability.
Source: APEC PSU calculations using data from the APEC Index and the OECD (accessed 28 February 2025).

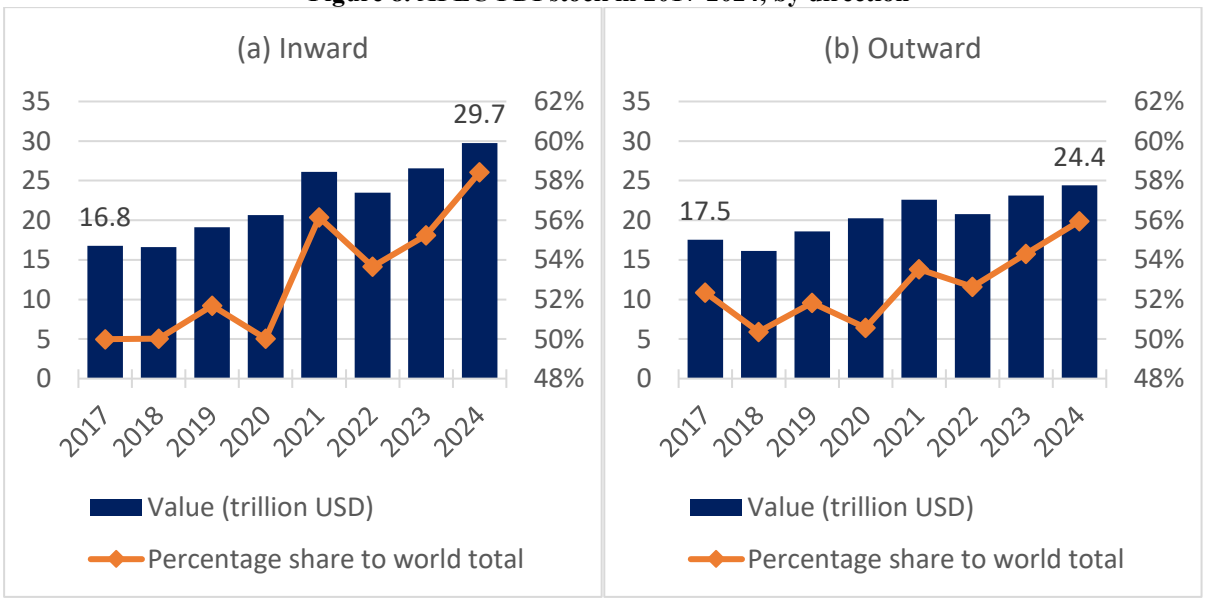
Promoting a more conducive services trade policy environment is essential for sustainable economic growth in the region. To achieve this, APEC has endeavoured to reduce services restrictions over time. Foremost to this is the APEC Services Competitiveness Roadmap (ASCR), which was endorsed by APEC leaders in 2015 (APEC, 2016). Meanwhile, the APEC Non-binding Principles for Domestic Regulation of the Services Sector agreed in 2018 and aiming to promote a transparent development of services regulation, facilitated the discussions at the WTO Joint Statement Initiative (JSI)[6] on Services Domestic Regulation. These discussions ended in a successful conclusion of negotiations on services domestic regulation, adopted by 67 WTO members, which incorporated many of the elements included in this APEC initiative.[7] As of September 2025, 16 APEC economies are participating in this JSI.

2.2.3 Promoting the stability and predictability of foreign direct investments (FDI)

Apart from trade, foreign direct investments (FDI) also play a key role in boosting economic growth in APEC. FDI can create more jobs, improve infrastructure, and bring innovation and capital to domestic industries (Lai et al., 2022). Indeed, APEC has been actively promoting investment facilitation through the APEC Investment Facilitation Action Plan (IFAP) (Bayhaqi and Nguyen, 2023). The primary goal of IFAP is to create a more transparent, predictable, and investor-friendly environment across APEC economies to attract and retain FDI.

FDI can be classified by direction. On the one hand, FDI can be inward, which refers to foreign investments entering an economy. This signals an economy's ability to attract FDI. Between 2017 and 2024, the value of inward FDI stock (cumulative value of past investments) in APEC has grown from USD 16.8 trillion to USD 29.7 trillion (Figure 8a). Moreover, APEC's share of global inward FDI has increased from 50.0 percent to 58.4 percent during the same period. This shows that APEC has remained a major recipient of global FDI, consistently accounting for more than half of global inward FDI (Lai et al., 2022). The rising share and value of APEC's inward FDI stock highlight the region's attractiveness to foreign investors.

Figure 8. APEC FDI stock in 2017-2024, by direction



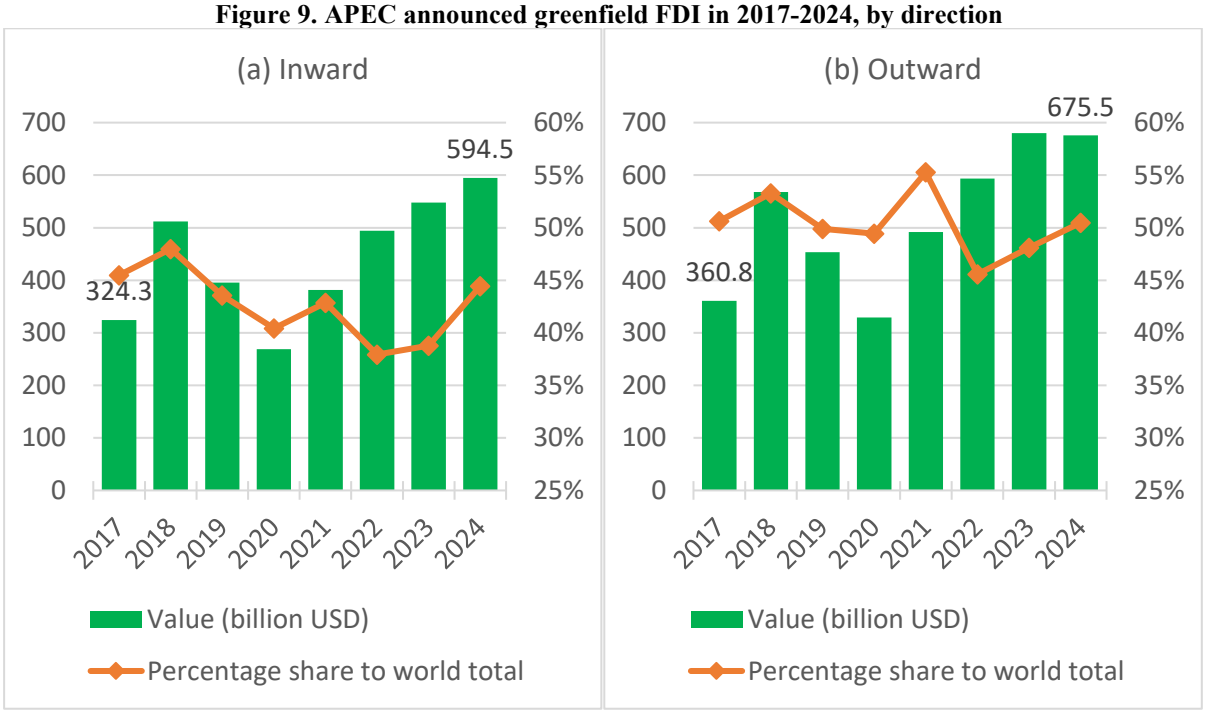
Note: This APEC aggregate does not include Brunei Darussalam; and Papua New Guinea due to data unavailability.
Source: APEC PSU calculations using data from UNCTAD (accessed 22 September 2025).

[6] JSIs are plurilateral initiatives covering specific issues that Members seek to push forward without reaching a consensus by the entire WTO membership.
[7] For more on the WTO JSI on Services Domestic Regulation, see: https://www.wto.org/english/tratop_e/serv_e/jsdomreg_e.htm.

On the other hand, FDI can also be outward, which refers to domestic investments flowing into foreign economies. This signals an economy's maturity, competitiveness, and ability to establish or acquire businesses overseas. Latest data indicate an increase in APEC's outward FDI stock from 2017 to 2024. During this period, outward FDI stock has increased from USD 17.5 trillion to USD 24.4 trillion (Figure 8b). Following this increase, APEC's share of global outward FDI registered a new period peak of 56.0 percent in 2024.

Meanwhile, greenfield FDI, which refers to when an enterprise establishes new operations in a foreign economy, benefits the local economy by creating new job opportunities and enhancing human capital. Between 2017 and 2024, the annual value of announced greenfield FDI entering APEC ranged from USD 268.9 billion to USD 594.5 billion (Figure 9a), while outward greenfield FDI ranged from USD 328.8 billion to USD 679.8 billion (Figure 9b). These values represent only a small share of APEC's total FDI stock (around 2.0 percent), which implies that the bulk of FDI occurring in the region are mergers and acquisitions. Moreover, APEC's share of global inward greenfield FDI has declined, falling from 48.0 percent in 2018 to 44.4 percent in 2024 (Figure 9a). This trend suggests that APEC's ability to attract greenfield investments has weakened compared to the rest of the world.

Figure 9. APEC announced greenfield FDI in 2017-2024, by direction



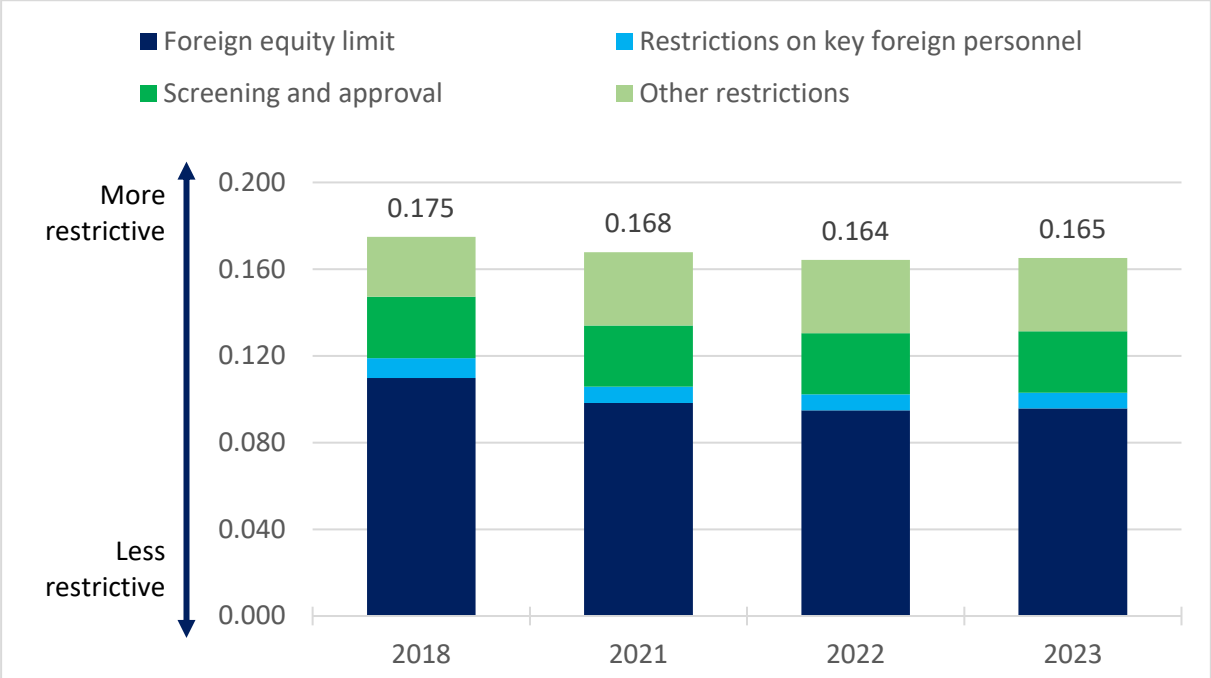
Source: APEC PSU calculations using data from UNCTAD (accessed 22 September 2025).

Given APEC's mixed performance, there is merit for APEC to explore ways to improve its situation. One of the factors that could influence FDI growth is its corresponding policy environment. The Organisation for Economic Co-operation and Development (OECD) FDI Regulatory Restrictiveness Index (RRI), which scores the degree of policy restrictiveness from 0 (open) to 1 (closed), provides a way to measure progress on improving the region's FDI policy environment.[8] APEC's overall FDI RRI score reveals that the policy environment has become modestly less restrictive from 0.175 in 2018 to 0.165 in 2023 (Figure 10). Looking into specific policy categories, foreign equity limits was the most restrictive from 2018 to 2023 (Figure 10). This restriction raises concerns for foreign investors who intend to expand ownership of

[8] The OECD FDI RRI measures restrictions affecting FDI by using a score ranging from 0 (open) to 1 (closed). It assesses four policy categories: (1) foreign equity limit; (2) restrictions on key foreign personnel; (3) screening and approval; and (4) other restrictions.

enterprises. In addition, studies have shown that these restrictions could have a strong deterring effect on FDI (OECD, 2024b).

Figure 10. Average APEC FDI RRI scores in 2018-2023, by policy category



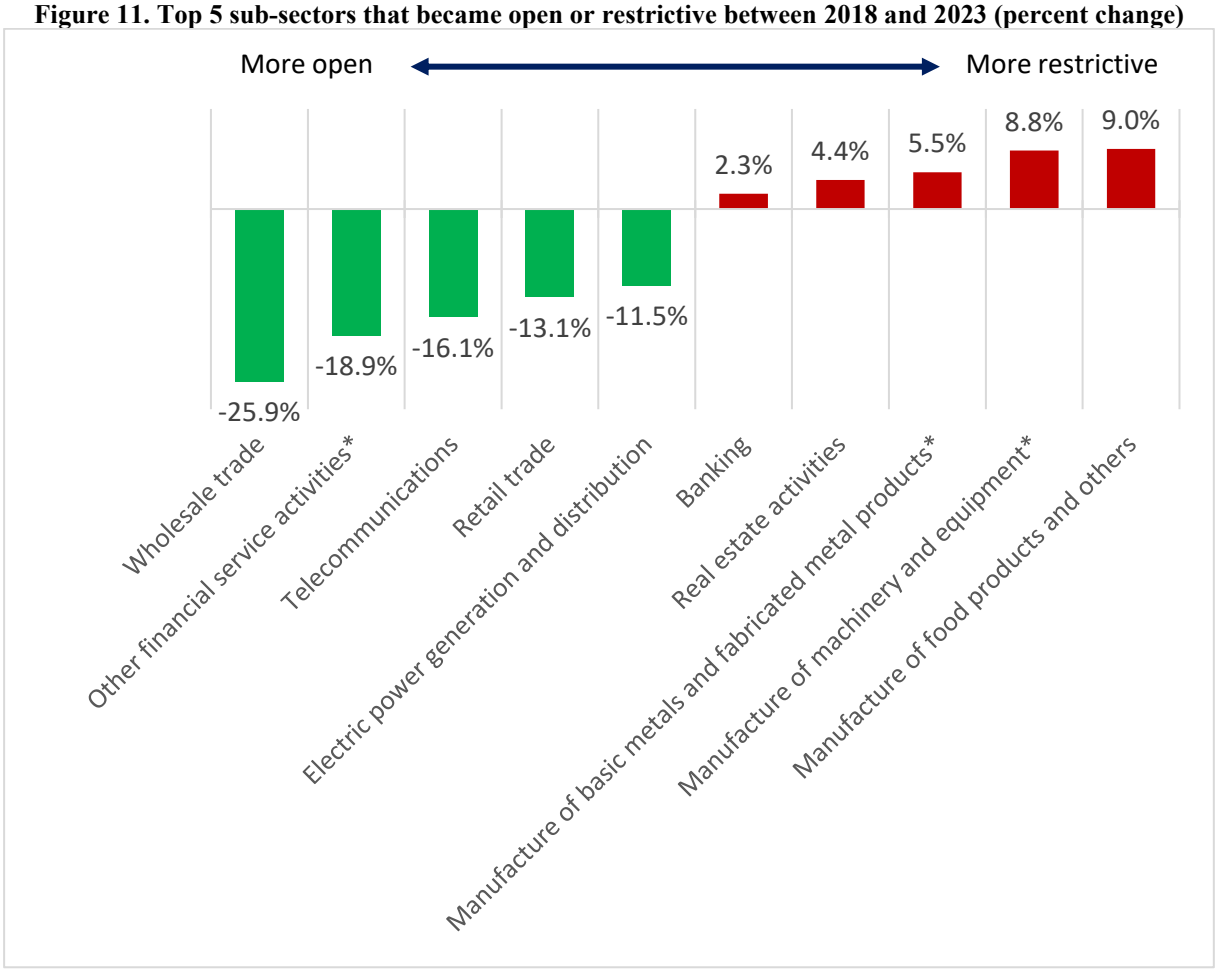
Note: Scores are from 0 (open) to 1 (closed). Data labels refer to the total average score. Aggregates are a simple average of data available. This APEC aggregate does not include Hong Kong, China; Papua New Guinea; Russia; and Chinese Taipei due to data unavailability.
Source: APEC PSU calculations using data from the OECD (accessed 5 February 2025).

Although there has been an overall decrease in restrictions in APEC's FDI policy environment, not all sub-sectors experienced even progress. For instance, the wholesale sub-sector significantly eased restrictions on FDI between 2018 and 2023, with its FDI RRI score dropping by 25.9 percent (Figure 11). In contrast, the manufacture of food products sub-sector changed the most towards becoming more restrictive, with its FDI RRI score rising by 9.0 percent over the same period. This is followed by other manufacturing sub-sectors that saw an increase in restrictions by 8.8 percent (manufacture of machinery and equipment) and by 5.5 percent (manufacture of basic metals and fabricated metal products).

Bayhaqi and Nguyen (2023) suggests that to sustain a continuous growth of FDI, it is important to drive towards a more conducive investment environment. For instance, fostering transparency in investment regulations can be helpful since it is a key priority for foreign investors. APEC economies are also encouraged to reserve a reasonable period between publishing a new regulation and its entry into force and to harmonize regulations and procedures among APEC members. Additionally, providing legal protection for foreign investments can enhance overall attractiveness for FDI. In particular, APEC economies could consider signing bilateral investment treaties (BITs) that include provisions for investor-state dispute settlement mechanisms.[9] As of April 2025, there are 15 intra-APEC BITs that have been signed.

[9] Investor-State dispute settlement (ISDS) is a mechanism under investment treaties or free trade agreements that allows foreign investors to raise disputes against host economies in international arbitrations.

Figure 11. Top 5 sub-sectors that became open or restrictive between 2018 and 2023 (percent change)



*Other financial service activities, except insurance and pension; Manufacture of basic metals and fabricated metal products, except machinery and equipment; Manufacture of machinery and equipment and related repair and installation activities
Note: Calculated using the APEC average FDI RRI scores. This APEC aggregate does not include Hong Kong, China; Papua New Guinea; Russia; and Chinese Taipei due to data unavailability.
Source: APEC PSU calculations using data from the OECD (accessed 5 February 2025).

2.2.4 Promoting economic integration in the region

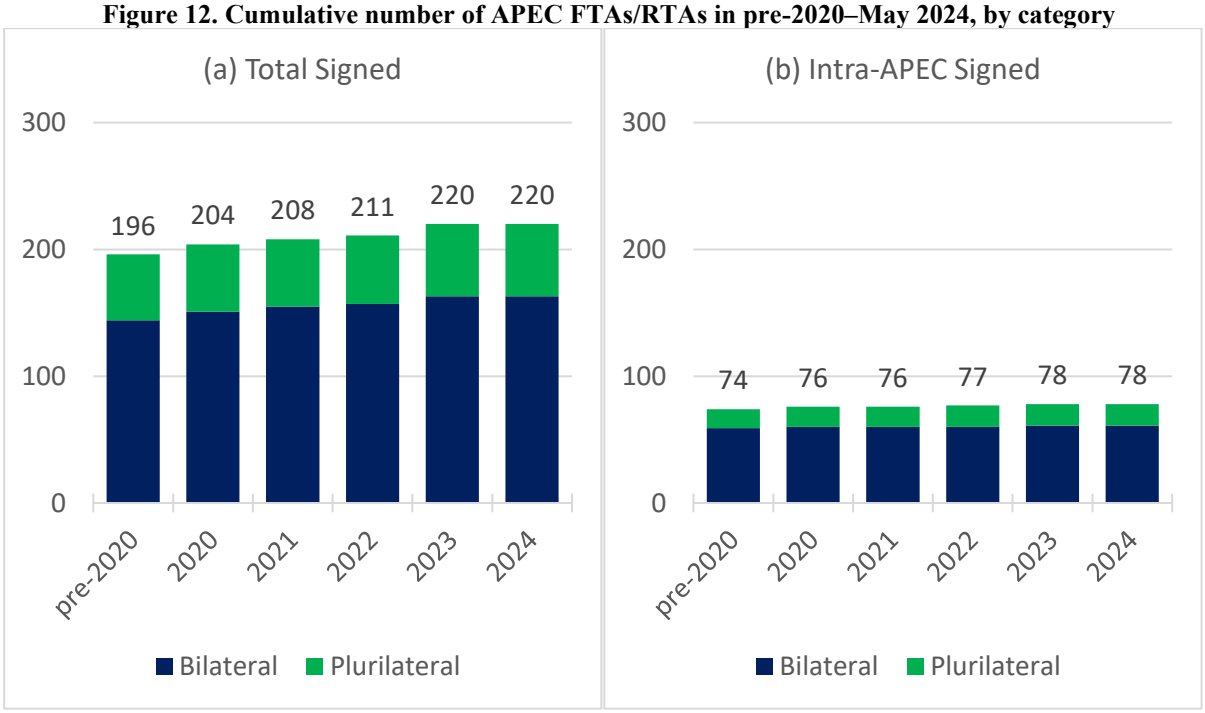
Greater economic integration has taken place through preferential trade arrangements. These arrangements have been beneficial in negotiating preferential market access, and improving strategic cooperation in investment, technology, and policy coordination, among others.

In 2023, the first APA evaluation of progress published for CTI highlighted the substantial growth in the number of free trade agreements (FTAs) and regional trade agreements (RTAs) signed in APEC. In fact, an average of seven agreements were signed yearly between 1990 and 2020 (APEC, 2023a). The growth exhibited by APEC members during the Bogor Goals' implementation is unsurprising since most economies at the time did not have any FTA/RTA with each other. As the number of agreements increased, the need for new ones was expected to diminish. In fact, only 16 FTAs/RTAs were signed since the APEC Putrajaya Vision was adopted in 2020 (Figure 12a).[10] From these recent agreements, only two were intra-APEC (Figure 12b).

[10] Pandemic-related concerns during this period may have also influenced economies' priorities.

The APA specifies that economic integration has to occur in the region in a manner that is market-driven and through the development of high-standard and comprehensive regional undertakings. Noticeably, there has been a preference for pursuing bilateral over plurilateral agreements (Figure 12). Among plurilateral agreements, only the Regional Comprehensive Economic Partnership (RCEP) agreement was signed over the last five years. A proliferation of bilateral agreements creates a more complicated trade landscape (i.e., the noodle bowl effect) and risks diverting trade from APEC members that are not part of those agreements.

Figure 12. Cumulative number of APEC FTAs/RTAs in pre-2020–May 2024, by category



Note: Data as of 2 May 2024. Intra-APEC is defined as any agreement involving at least two APEC members.
Source: APEC PSU calculations based on compiled data from economy sources, the Asian Development Bank (ADB), and the WTO (accessed 2 May 2024).

The depth of most recent agreements has changed. While earlier FTAs/RTAs focused primarily on trade facilitation and market access, more recent agreements are noticeably deeper in that they include non-traditional chapters, as listed in the Study on Convergences and Divergences of Free Trade Agreements in the APEC Region released by the APEC Policy Support Unit (PSU) in January 2025.[11] 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.

Noting the importance of strengthening economic integration in the region through high-standard and comprehensive regional undertakings, APEC has been working on a Free Trade Area of the Asia-Pacific (FTAAP) agenda. Since 2011, a total of 44 APEC projects with a combined funding of USD 5.1 million have been initiated to provide capacity building support and information exchange among APEC members (Calizo and Kuriyama, 2024). However, some areas may require increased attention from the Capacity Building Needs Initiative (CBNI) (Table 2).

[11] For more information, please refer to the Study on Convergences and Divergences of Free Trade Agreements in the APEC Region, Section 2.3 on key findings and recommendations (Zapata et al., 2025).

Table 2. Number of CBNI activities and APEC funding received, by selected areas (values in USD)

Chapter	Number of CBNI Activities	APEC Funding Received
National treatment and market access for goods	2	-
Rules of origin and origin procedures	2	121,000
Customs administration and trade facilitation	2	148,216
Trade remedies	2	127,373
Sanitary and phytosanitary measures	2	219,548
Technical barriers to trade	2	233,930
Investment	4	273,299
Cross-border trade in services	3	335,931
Financial services	-	-
Maritime services	-	-
Temporary entry for business persons	-	-
Telecommunications	-	-
Professional services	-	-
Electronic commerce	4	311,600
Government procurement	1	115,600
Competition policy	4	530,031
State-owned enterprises and designated monopolies	-	-
Intellectual property	3	263,750
Labour	1	51,050
Environment	3	332,674
Cooperation and capacity building	-	-
Competitiveness and business facilitation	-	-
Development	-	-
Small and medium-sized enterprises	3	248,216
Regulatory coherence	-	-
Transparency and anti-corruption	1	110,000
Dispute settlement	1	121,000
Macroeconomic policies and exchange rate matters	-	-
General capacity building and others, not elsewhere specified	8	526,316
Total	**48**	**4,069,534**

Source: Lifted from Calizo and Kuriyama (2024).

As part of the FTAAP agenda, an analysis of convergences and divergences exploring five intra-APEC plurilateral agreements[12] was done in 2024. This study indicates that there is generally a medium to high level of convergence across most chapters (Zapata et al., 2025). Those with the highest levels of convergence are chapters on sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), investment, financial services, transparency, dispute settlement, and final provisions (Table 3).

Table 3. Levels of convergence, by chapter

#	Chapter	Level of convergence	Score (0–100)
1	Market access	Medium	56.7
2	Agriculture	Medium	37.4
3	Rules of origin	Medium	63.6
4	Textile and apparel	Medium	40.0
5	Customs administration and trade facilitation	Medium	51.2

[12] These agreements include: the Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Agreement between the United States, the United Mexican States, and Canada (USMCA), the Additional Protocol to the Framework Agreement of the Pacific Alliance (PA), and RCEP.

6	Trade remedies	Medium	44.0
7	Sanitary and phytosanitary (SPS)	High	70.0
8	Technical barriers to trade (TBT)	High	71.3
9	TBT sectoral annexes	Medium	42.5
10	Investment	High	70.5
11	Trade in services	Medium	62.6
12	Financial services	High	66.4
13	Maritime services	Low	20.0
14	Telecommunications	Medium	62.9
15	Professional services	Medium	48.0
16	Temporary entry of persons	Medium	46.0
17	Electronic commerce	Medium	57.0
18	Government procurement	Medium	52.3
19	Competition policy	Medium	65.7
20	State-owned enterprises	Medium	40.0
21	Intellectual property	Medium	42.1
22	Labour	Medium	35.3
23	Environment	Medium	35.0
24	Cooperation and capacity building	Medium	42.5
25	Competitiveness	Medium	35.0
26	Small and medium-sized enterprises (SMEs)	Medium	35.6
27	Development	Medium	34.0
28	Regulatory coherence	Medium	43.6
29	Transparency	High	68.0
30	Anti-corruption	Medium	42.0
31	Dispute settlement	High	75.7
32	Macroeconomic policies	Low	20.0
33	Exceptions and general provisions	Medium	51.3
34	Final provisions	High	72.7

Source: APEC PSU compilation based on Zapata et al. (2025).

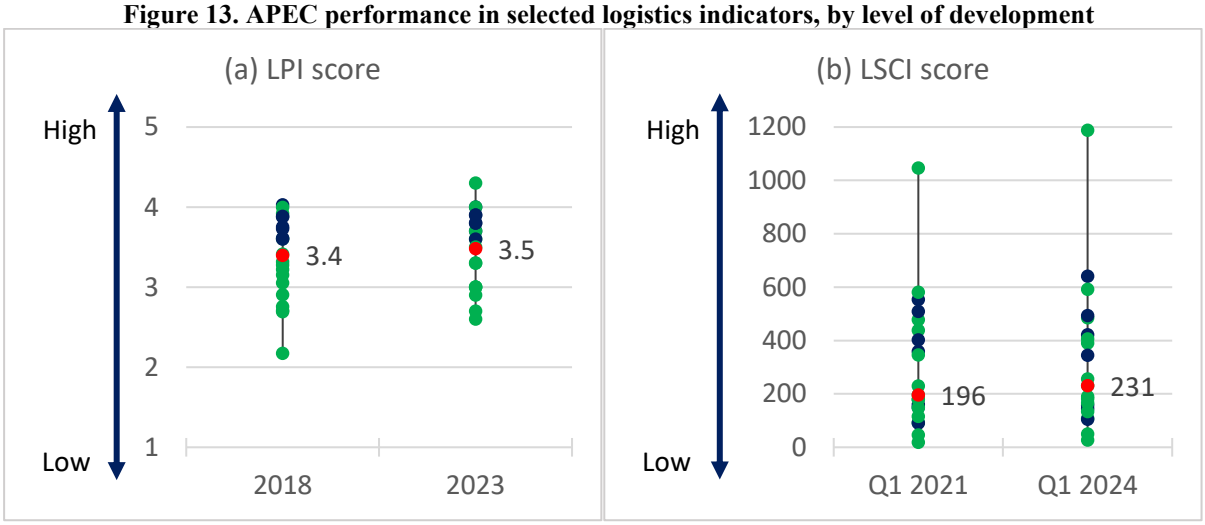
2.2.5 Promoting connectivity in the region

Connectivity is a factor highly relevant to provide economic opportunities to businesses and individuals. However, fostering strong connectivity is a complex task and takes time. APEC Economic Leaders recognized this challenge when they adopted the APEC Connectivity Blueprint in 2014 (APEC, 2014). With its implementation set until 2025, the plan identified ambitious targets related to physical, institutional, and people-to-people connectivity. In the context of CTI, the primary area of concern is to facilitate trade.

APEC's progress on improving trade and connectivity can be perceived in the development of its logistics performance. A widely used and reliable measure of trade logistics performance is the Logistics Performance Index (LPI) (Arvis et al., 2023). The latest data indicates that the APEC average score rose slightly from 3.4 in 2018 to 3.5 in 2023 (Figure 13a). This reflects the domestic efforts of several developing economies to improve areas such as customs and border management, among others (Bayhaqi et al., 2020). At the same time, APEC's maritime trade logistics performance has also improved. Indeed, APEC's median Liner Shipping Connectivity Index (LSCI)[13] score rose from 196 in 2021Q1 to 231 in 2024Q1 (Figure 13b). This indicates that APEC has grown more connected with ports across the region and the world.

[13] UNCTAD revised the LSCI methodology in 2024. Specifically, the old methodology utilized a benchmark by assigning the economy with the highest score as the 100-point reference. All other scores are relative to this benchmark. However, the new methodology now sets the index at 100 for the average score of all ports sampled. All other scores are relative to this average.

Figure 13. APEC performance in selected logistics indicators, by level of development



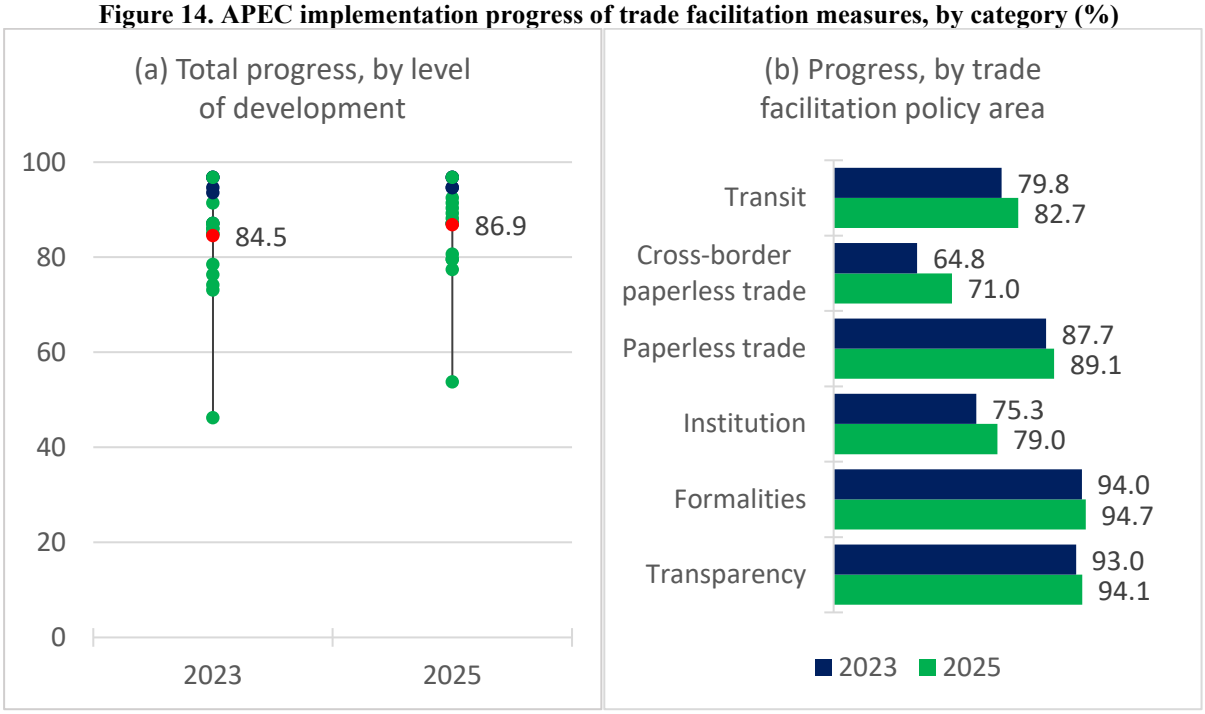
Dark Blue=Industrialized, Green=Developing; Red=APEC (with data label)
Note: (a) For the LPI, scores are interpreted as: 1 (low) to 5 (high). Data for Brunei Darussalam is unavailable for 2023. For consistency, the APEC average does not include Brunei Darussalam. The APEC aggregate is a simple average of data available; (b) For the LSCI score, the index is set at 100 for the average score of all ports sampled in the first quarter of 2023. The APEC aggregate is the median of data available.
Source: APEC PSU calculations using data from UNCTAD and the World Bank (accessed 26 March 2025).

These regional improvements have likely benefitted from economies' efforts over the past few years to improve trade facilitation. APEC's collective progress in implementing trade facilitation measures, including the WTO Trade Facilitation Agreement (TFA), has improved from an 84.5 percent average implementation rate in 2023 to 86.9 percent in 2025 (Figure 14a). 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.

Moreover, a careful analysis of progress by trade facilitation area shows that both formalities and transparency measures are almost completely implemented in 2025 (Figure 14b). Nearing completion at a relatively moderate pace is transit measures (82.7 percent) and paperless trade (89.1 percent). Meanwhile, the remaining policy areas on institution (79.0 percent) and cross-border paperless trade (71.0 percent) may merit increased attention among economies. For example, economies may find it useful to implement the UNCITRAL Model Law on Electronic Transferable Records (MLETR) to facilitate the use of electronic documents in trade.[14] As of May 2025, two APEC economies have notified the UNCITRAL Secretariat that their relevant legislation was based on or influenced by the MLETR.[15]

[14] For more on the UNCITRAL MLETR, see: https://uncitral.un.org/en/texts/ecommerce/modellaw/electronic_transferable_records.
[15] This count is based on notifications made by economies to the UNCITRAL Secretariat. This means that the list should be taken as non-exhaustive as economies may have had their relevant legislation based on or influenced by the MLETR without notifying the UNCITRAL Secretariat. For more on the list of economies, see: https://uncitral.un.org/en/texts/ecommerce/modellaw/electronic_transferable_records/status.

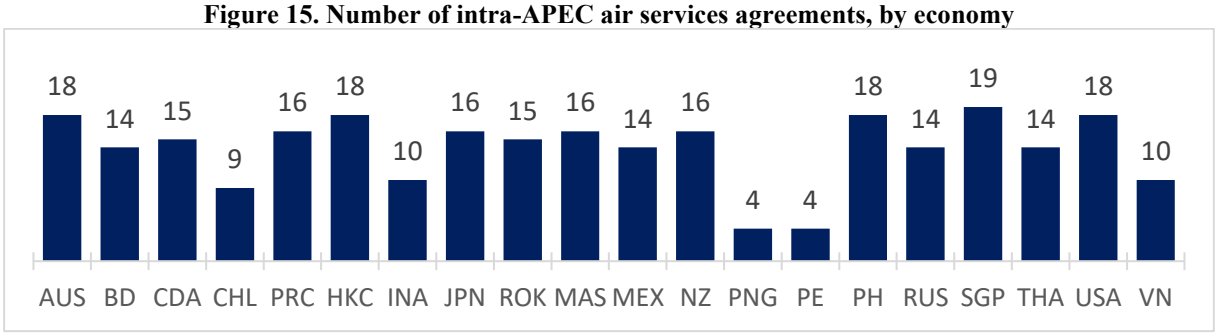
Figure 14. APEC implementation progress of trade facilitation measures, by category (%)



For (a): Dark Blue=Industrialized, Green=Developing; Red=APEC average (with data label)
Note: The APEC aggregates are a simple average of data available. Data for Hong Kong, China; Chinese Taipei; and the United States are unavailable. The APEC aggregates for transit measures do not include Japan; New Zealand; Papua New Guinea; and the Philippines due to data unavailability.
Source: APEC PSU calculations using data from the UN (accessed 23 September 2025).

Apart from trade logistics, APEC also improved its people-to-people connectivity. Travel facilitation is at the heart of tourism development and one factor that directly affects this is air connectivity. As of May 2025, APEC economies have signed intra-APEC air services agreements ranging from 4 to 19 (Figure 15).

Figure 15. Number of intra-APEC air services agreements, by economy

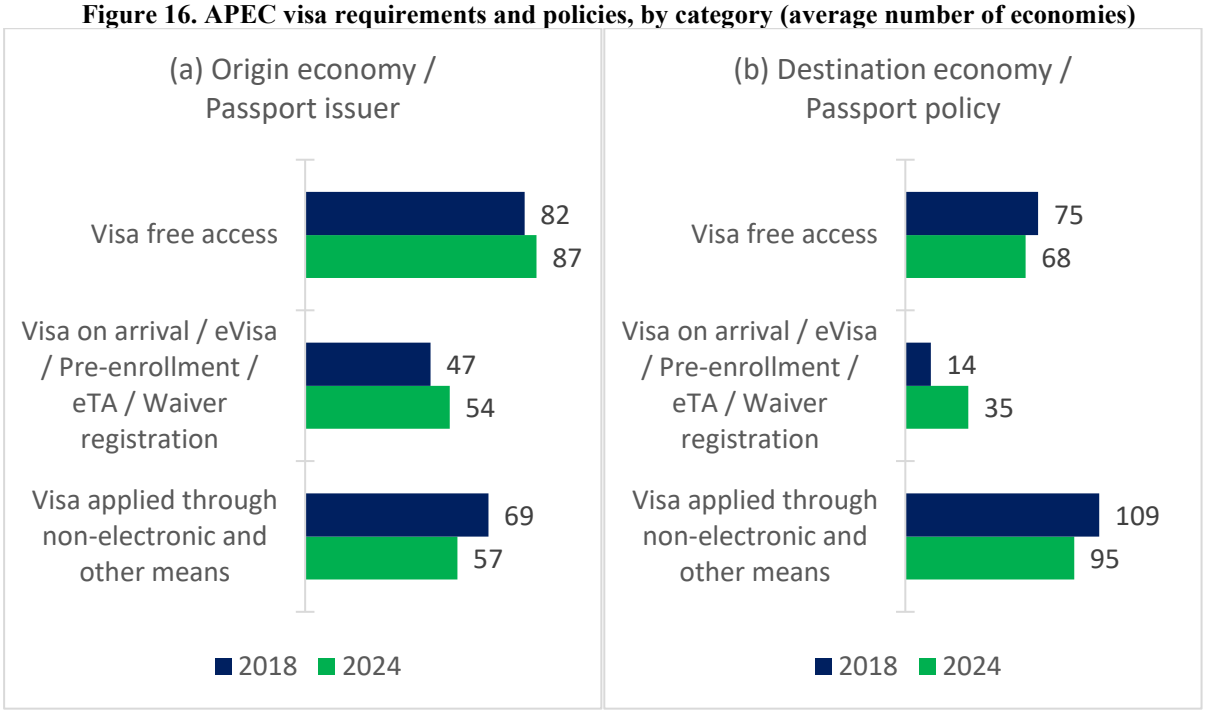


Note: Data as of May 2025. Data for Chinese Taipei is unavailable.
Source: APEC PSU calculations using data from the International Civil Aviation Organization (ICAO) and economy updates.

Concurrent to this are restrictions affecting the movement of people, primarily in the form of visa requirements. On average, the number of economies that passport holders from APEC members could travel to without a visa increased from 82 in 2018 to 87 in 2024 (Figure 16a). In contrast, APEC economies heightened their own visa policies, choosing to impose visas on an average of 130 economies in 2024—seven more compared to 2018 (Figure 16b). Notwithstanding this increase, more economies have been made eligible for visas on arrival, eVisas, and other similar electronic means that can help ease the procedural burden and cost on tourists. In addition, the APEC Business Travel Card (ABTC) introduced in 1997 continues to help streamline short-term business mobility across the APEC region. As of April 2025, 19

APEC member economies are fully participating in the ABTC scheme while the remaining two are transitional members.

Figure 16. APEC visa requirements and policies, by category (average number of economies)



Source: APEC PSU calculations using data from the Passport Index (accessed 9 February 2025).

2.3 To empower all our people and businesses to participate and grow in an interconnected global economy

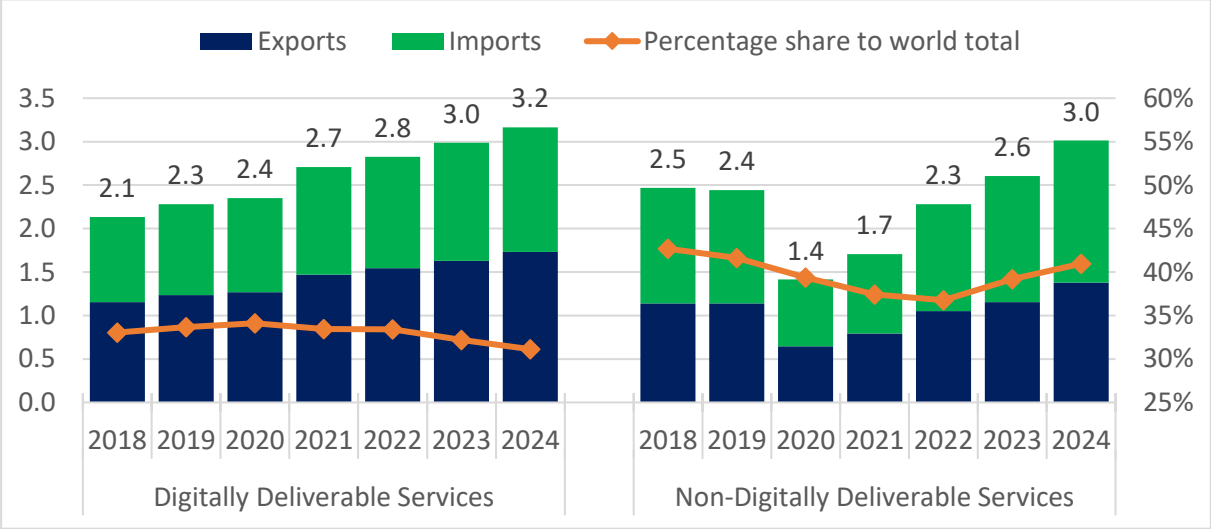
Improving digital connectivity among economies, businesses, and people can contribute to empowering APEC's participation and growth in the global economy. This includes enhancing trust and security in the use of information and communications technology (ICT), improving the accessibility and affordability of digital infrastructure in the region, and broadening participation in the digital economy. Cooperating on facilitating the flow of data and strengthening consumer and business trust in digital transactions can also be beneficial.

Advancements in digitalization over the last decade has led to massive growth and development across many industries, especially in the services sector. For example, UNCTAD (2024) estimated that the value of global e-commerce sales—a fraction of the digital economy—jumped from USD 17 trillion in 2016 to USD 27 trillion in 2022. UNCTAD noted that while most of these are currently domestic sales, the share of international transactions is growing.

Accurate data representing the full size of the digital economy is limited. However, a part of it can be glimpsed through analysing trade. In APEC, for instance, the total trade value of digitally deliverable services (DDS) has outgrown the value of its non-DDS trade between 2020 and 2024 (Figure 17). This can partly be attributed to the pandemic-related measures implemented in 2020–2022 to curb physical interactions. Yet, even before the pandemic started, APEC's DDS trade has already been growing faster than its non-DDS trade. In 2010–2019, the compound annual growth rate for DDS trade reached 6.6 percent, higher than non-DDS trade at 4.3 percent (Wirjo et al., 2022).

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. In fact, APEC's share of total world DDS trade fell from 34.1 percent in 2020 to 31.1 percent in 2024 (Figure 17).

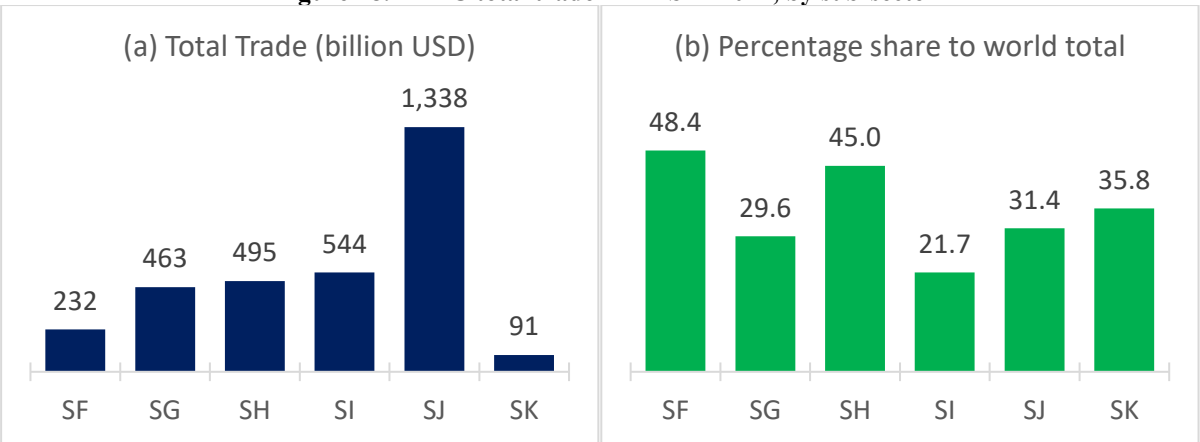
Figure 17. APEC commercial services trade, by category (trillion USD and percentage share to world total)



Note: Data labels represent total trade. World total trade is calculated as twice the value of its reported exports since imports data for some sub-sectors are unavailable.
Source: APEC PSU calculations using data from the WTO (accessed 23 September 2025).

Among the different DDS sub-sectors,[16] other business services such as research and development, professional and management consulting, and technical trade-related services had the largest value of total trade across APEC. In 2024, this sub-sector was valued at USD 1.3 trillion, which is considerably higher than the next largest sub-sector at USD 0.5 trillion (Figure 18a). Across these sub-sectors, APEC represented about 21.7 percent to 48.4 percent of world total trade (Figure 18b).

Figure 18. APEC total trade in DDS in 2024, by sub-sector



SF=Insurance and pension services; SG=Financial services; SH=Charges for the use of intellectual property, not identified elsewhere.; SI=Telecommunications, computer, and information services; SJ=Other business services; SK=Personal, cultural, and recreational services
Note: Values are taken at the parent category level due to data coverage issues at more detailed categories. World total trade is calculated as twice the value of its reported exports since imports data for some sub-sectors are unavailable.
Source: APEC PSU calculations using data from the WTO (accessed 23 September 2025).

[16] These sub-sectors are based on the framework developed by the OECD, WTO, and the International Monetary Fund (ADB, 2022).

To further facilitate the growth of DDS trade, it is important to address bottlenecks affecting the digital economy, such as inadequate digital infrastructure development and restrictive regulatory digital frameworks affecting them. Recognizing this and the digital economy's growing importance across the region, APEC Economic Leaders adopted the APEC Internet and Digital Economy Roadmap (AIDER) in 2017. This roadmap was developed to guide APEC members' activities to facilitate technological and policy exchanges and to bridge the digital divide, among others (APEC, 2017).

Furthermore, facilitating growth in DDS trade involves a wide range of participation across formal and informal sectors. In fact, in APEC, independent gig workers play an increasingly vital role, which account for 0.7 percent to 38.1 percent of APEC economies' labour force (Hernando and Calizo, 2024).

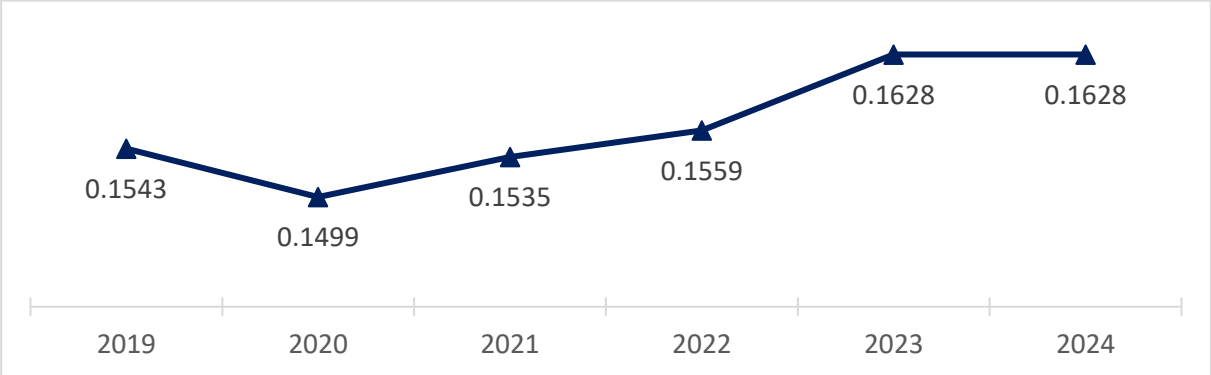
Empowering everyone's participation in the digital economy requires not only a conducive policy environment to address infrastructure bottlenecks but also appropriate support for those involved in digital trade. For example, initiatives that strengthen regulatory oversight, ensure timely payments, and extend social security coverage can help to improve gig workers' conditions and foster the sustainable growth of the digital services economy in the APEC region.

2.3.1 Shaping a conducive policy environment for the digital economy

One key factor that would enable better DDS trade is a conducive policy environment. Using the digital services trade restrictiveness index (DSTRI),[17] it is possible to measure not only the degree of restrictiveness but also which policy areas are contributing the most, hence enabling policymakers to focus on reviewing those areas (OECD, 2019).

A review of DSTRI scores indicate an increasingly restrictive policy environment for DDS trade across the APEC region. Figure 19 shows that the average APEC DSTRI score increased during the pandemic, moving from 0.1499 in 2020 to 0.1628 in 2024. While this has plateaued in the last two years, there are no signs yet of it returning to a more open policy environment.

Figure 19. Average APEC digital services trade restrictiveness index (DSTRI) scores in 2019–2024



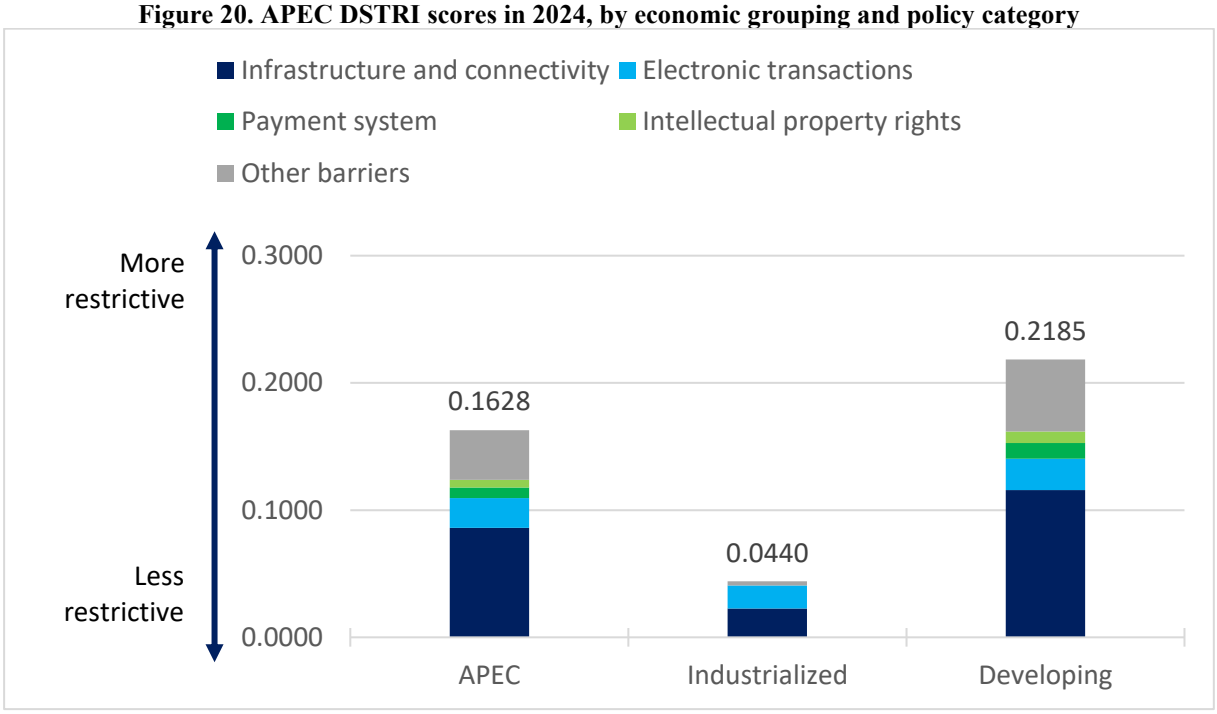
Note: Aggregates are a simple average of data available. Data for Hong Kong, China; Papua New Guinea; and Chinese Taipei are unavailable.
Source: APEC PSU calculations using data from the OECD (accessed 14 February 2025).

[17] The DSTRI adopts a similar framework as the STRI and the APEC Index. It scores different policy measures, which add to a combined score between 0 (most open) and 1 (most restrictive). The DSTRI monitors five policy areas, namely: (1) infrastructure and connectivity; (2) electronic transactions; (3) payment systems; (4) intellectual property rights; and (5) other barriers affecting trade in digitally enabled services.

Probing by policy category, 52.8 percent of APEC's average DSTRI score in 2024 was contributed by measures related to infrastructure and connectivity, which includes regulations that limit or block the use of communication services and data localization requirements, among others (Figure 20). This is followed by other barriers affecting trade in digitally enabled services at 24.0 percent and measures related to electronic transactions at 14.5 percent. Measures like these can potentially make it difficult for firms, especially those operating in different jurisdictions, to conduct cross-border trade and business.

Moreover, there is a noticeable difference between industrialized and developing APEC economies. Figure 20 shows that developing economies have an average score (0.2185) that is around five times more restrictive than industrialized ones (0.0440). More than half of both scores is contributed by infrastructure and connectivity measures. Although both groups shared the same most restrictive policy category, they do differ in the next—industrialized APEC economies had more restrictions related to electronic transactions (41.4 percent) while developing economies had more restrictions on other barriers (26.0 percent).

Figure 20. APEC DSTRI scores in 2024, by economic grouping and policy category



Note: Scores are from 0 (open) to 1 (closed). Data labels show the total average score. Aggregates are a simple average of data available. Data for Hong Kong, China; Papua New Guinea; and Chinese Taipei are unavailable.
Source: APEC PSU calculations using data from the OECD (accessed 14 February 2025).

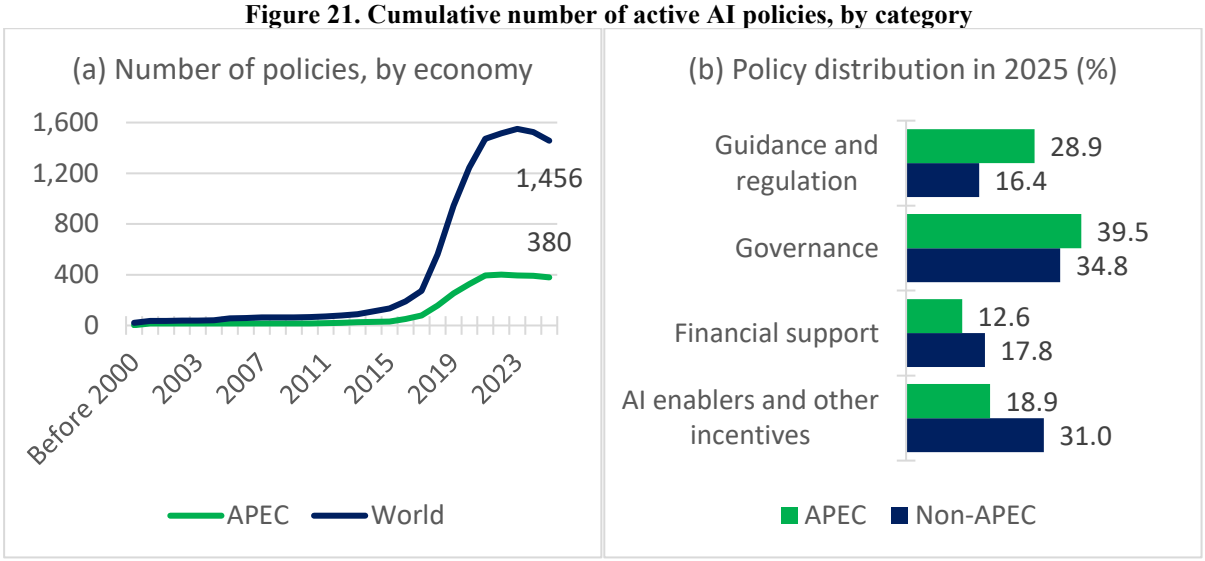
The DSTRI is a useful measure to gauge the overall policy environment surrounding digital trade. But insights from the DSTRI are best complemented with other indicators. For example, a focused exploration of policies related to artificial intelligence (AI) would be useful in contextualizing one of the fast-emerging technologies of the decade. Data from the OECD.AI, which compiles AI-related measures globally, indicates that there has been a surge in AI-related measures over the past five years (Figure 21a). To illustrate, these measures in APEC jumped from 325 in 2020 to 380 in 2025.

Most of these AI-related measures in APEC are related to governance (39.5 percent share), followed by guidance and regulation policies (28.9 percent) (Figure 21b). Interestingly, while both APEC and non-APEC prioritize governance the most, non-APEC economies prefer next the use of AI enablers and other incentives. From this overview, it suggests that there is more

supervision and regulation across APEC economies compared to softer approaches of incentives and enablers in the rest of the world.

In addition, an OECD study assessing the macroeconomic productivity gains from AI emphasized the importance of a policy environment conducive to its fast and widespread adoption; open borders for digital services; robust digital infrastructure; clear regulations on data usage; accountability; and lower uncertainty on AI regulations (Filippucci et al., 2024).

Figure 21. Cumulative number of active AI policies, by category



Note: The APEC aggregate includes 15 economies.
Source: APEC PSU calculations using data from OECD.AI (accessed 24 March 2025).

One APEC initiative that can help improve digital connectivity and data security is the APEC Cross-Border Privacy Rules (CBPR) system, which provides a practical mechanism for organizations to transfer personal information across participating economies in a manner that fosters digital trust and data privacy protection (APEC, 2019). As of February 2025, a total of nine economies and 82 registered firms are participating in the APEC CBPR system.[18] The presence of similar frameworks such as online protection laws are also useful. Most APEC members already have laws or draft legislations on areas related to online protection (Table 4).

Table 4. Presence of online protection laws in APEC (as of 9 February 2025)

#	Law	Number of economies
1	Cybercrime	19
2	Consumer protection	17
3	E-transaction	19
4	Data protection and privacy	17

Note: Presence is counted if there is at least one law or draft legislation in an economy.
Source: APEC PSU calculation based on data from UNCTAD (accessed 9 February 2025).

2.3.2 Overcoming the digital divide in APEC

A conducive policy environment for the digital economy must be accompanied with strategies that overcome the digital divide, and foremost to this is establishing reliable and accessible digital infrastructure across the APEC region. The importance of digital infrastructure was recognized by APEC not only through AIDER but also several other initiatives, including the APEC Telecommunications and Information (TEL) Strategic Action Plan 2021–2025 (APEC,

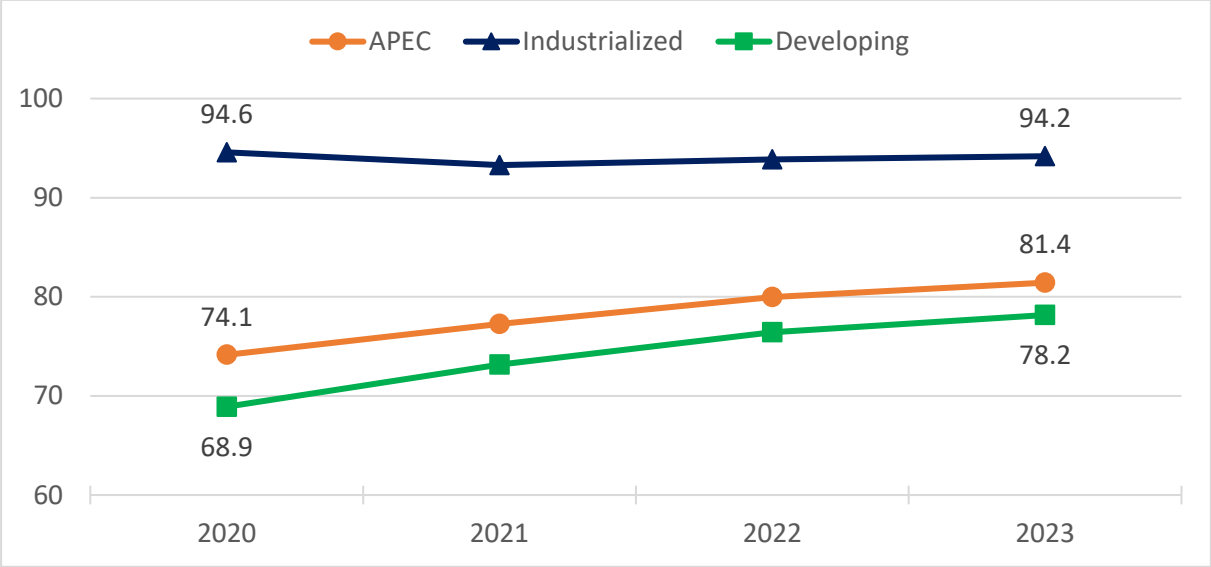
[18] APEC PSU compilation based on the CBPR list of participating economies (accessed 9 February 2025).

2023b). Part of its objectives, for instance, is the promotion and deployment of digital infrastructure to support better access to broadband and digital services across the region.

One way to gauge APEC's progress on this front is to look at the population of internet users. Latest data from the International Telecommunication Union (ITU) indicates that 81.4 percent of APEC's population were internet users[19] in 2023, higher than the 74.1 percent reported in 2020 (Figure 22). This translates to 2.4 billion people using the internet in 2023.

Despite this improvement, there are disparities observed across APEC groupings by level of development. Figure 22 shows that although internet access has improved among developing economies, there remains a gap of 16.0 percentage points between them and industrialized economies. These observations are a concern since disparities can undermine digital participation and may potentially exacerbate the digital divide—a problem that can affect the rate of AI adoption among businesses and individuals, for example.

Figure 22. Share of APEC population using the internet, by group (%)



Source: APEC PSU calculations using data from the ITU (accessed 5 February 2025).

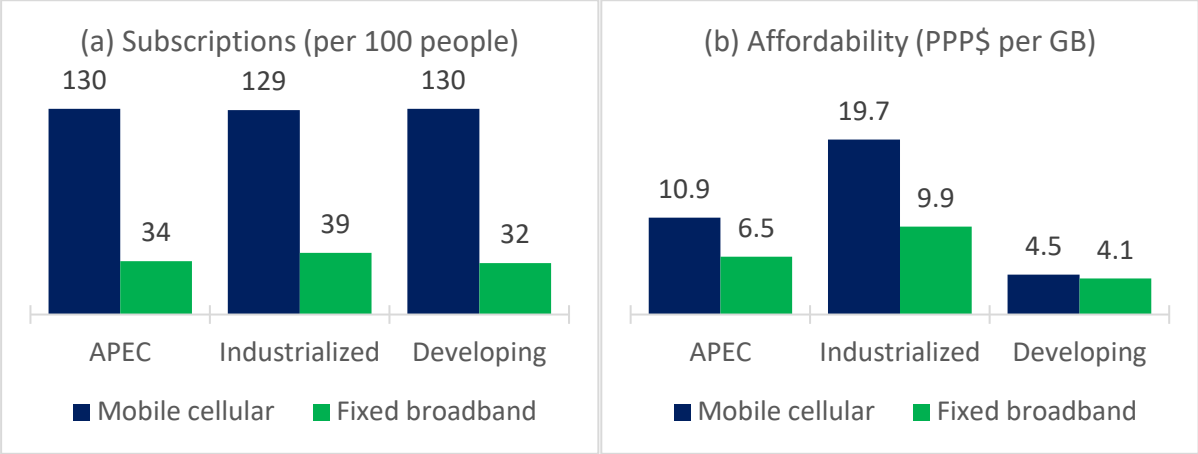
Digital infrastructure also requires adjusting to new trends. Broadly, the internet can be accessed through fixed broadband lines or through mobile cellular data. While both provide internet access, their infrastructure requirements, facilitation, and speed performances are very different. On speed, for instance, estimates by Ookla's Speedtest Global Index in August 2024 measured fixed broadband median download speeds reaching up to 94 megabits per second (Mbps), almost double that of mobile broadband connections (56 Mbps).[20] Fixed broadband networks' better speed, however, may come with costlier upfront costs (e.g., direct cables to households). Among 75 service providers surveyed in 2021, 44 percent identified the cost of deployment as their biggest challenge to deploy a full-fiber network (Philpott and Tan, 2022).

Perhaps because of this challenge, the use of mobile broadband prevails across the APEC region. Measured as subscriptions per 100 people, mobile cellular subscriptions reached 130 in 2023 while fixed broadband was only at 34 (Figure 23a). Although there is a broad use of mobile cellular broadband across APEC, its affordability in industrialized economies is less

[19] Internet users are defined as individuals who have used the internet (from any location) in the last three months. The internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV, etc.
[20] For more insights, see: https://datahub.io/@cheredia19/ookla-speedtest-global-index-insights.

competitive compared to fixed broadband. Figure 23b shows that mobile cellular broadband costs 19.7 international dollars (PPP$) per GB, which is almost double that of fixed broadband.

Figure 23. APEC access to the internet in 2023, by category



Note: (a) Aggregates are a weighted average based on total population; (b) Aggregates are a weighted average based on real GDP, purchasing power parity international dollars (PPP$) (2021=100). Mobile cellular is based on a data-only mobile broadband basket of 2GB whereas fixed broadband is based on a fixed-broadband internet basket of 5GB. For comparability, their units are expressed in PPP$ per GB.
Source: APEC PSU calculations using data from the ITU and the World Bank (accessed 5 February 2025).

2.4 To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies

Economic growth can be vulnerable to different crises. For example, the increased frequency of droughts and rising temperatures can reduce output in the agriculture sector. In the same way, more frequent and intense rains are more likely to trigger floods. Such floods could destroy infrastructure, substantially affect people's quality of life, and disrupt economic activities. According to the World Bank, the increased frequency and severity of extreme weather events can lead to economic losses equivalent to 7.3 percent of APEC's GDP (about USD 4.7 trillion in 2023) (APEC, 2021b).

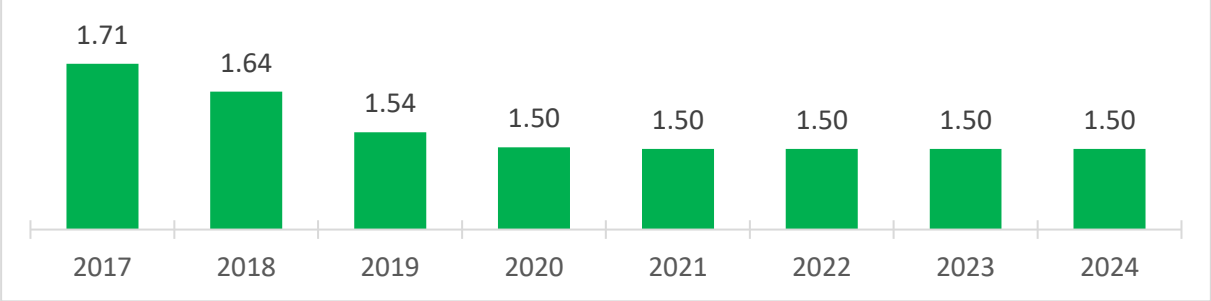
To ensure a sustainable and resilient economic growth, it is important for APEC economies to adopt measures to comprehensively address all environmental challenges, including extreme weather and natural disasters. Policies to advance resiliency and sustainability have been recognized in the APA as important actions. Collectively, APEC has launched initiatives on the matter, such as the Bangkok Goals on the Bio-Circular-Green (BCG) Economy (APEC, 2022).

2.4.1 Facilitating the trade of environmental goods and services

One of the many ways to mitigate the impacts of environmental challenges is to facilitate the trade of environmental goods. To reach this goal, APEC Economic Leaders endorsed a list of 54 environmental goods in 2012, which includes solar panels, wind turbines, and equipment used for environmental monitoring, just to name a few (APEC, 2012). This initiative intended to lower the cost of accessing environmental components and technologies in the region by reducing applied tariffs to five percent or less by the end of 2020 (Kuriyama, 2021). Improving market access can help facilitate the use of these products, thereby benefitting the environment (Bacchetta et al., 2025).

The latest data on MFN ad valorem tariffs for environmental goods shows that APEC's average has been equivalent to 1.5 percent from 2020 to 2024 (Figure 24). This is relatively lower compared to the average MFN tariff rate of 5.1 percent applied to all products (Figure 3).

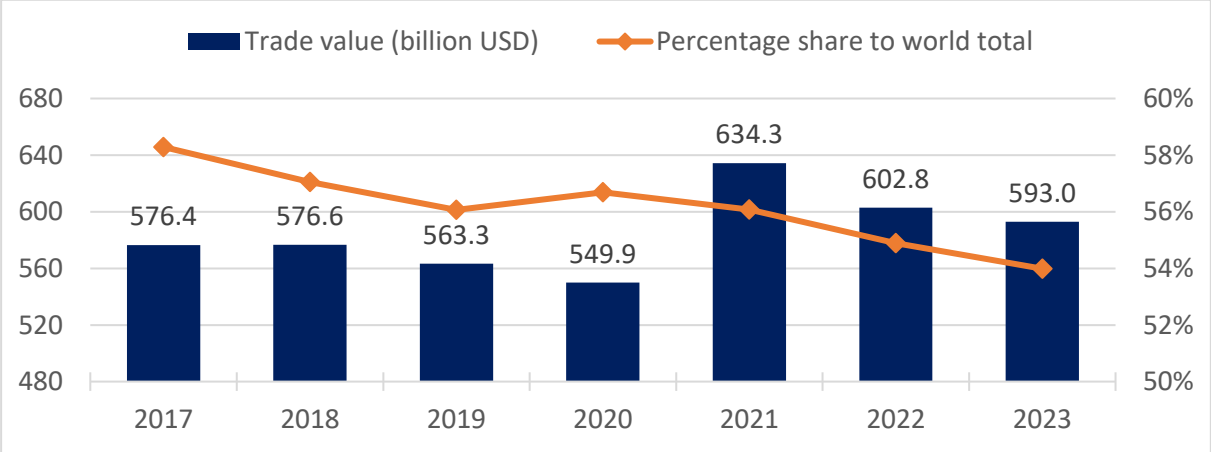
Figure 24. APEC average MFN ad valorem tariffs on environmental goods in 2017–2024 (percent)



Source: APEC PSU calculations using data from the WTO (accessed 18 March 2025).

Despite these efforts and successes, APEC's share of global trade of these environmental goods has substantially dropped from 58.3 percent in 2017 to 54.0 percent in 2023 (Figure 25). This development was accompanied by a generally falling trade value, which spiked only in 2021 before falling again in 2022—ending with only USD 593.0 billion worth of trade in 2023. This may suggest the presence of weakening demand or potential supply-side bottlenecks requiring further exploration.

Figure 25. APEC total trade of environmental goods in 2017–2023



Note: Environmental goods include the 54 products enumerated in the APEC List of Environmental Goods. This APEC aggregate does not include Papua New Guinea; and Chinese Taipei due to data unavailability or patchy data. Russia data for 2022 and 2023 is based on 2021 data. Viet Nam data for 2023 is based on 2022 data.
Source: APEC PSU calculations using data from the WTO (accessed 18 March 2025).

To boost trade in environmental goods, priority should be given to reducing trade restrictions, particularly on goods with high potential to reduce pollution and emissions, such as those used for solar and wind energy and green hydrogen production (PwC, 2021). Attention needs to be paid not only to barriers on final products but also to those components used in the production process in order to streamline global supply chains for environmental goods. For example, producing concentrated solar power systems requires many essential components along the supply chain, such as steel, copper, and silica (Kuriyama, 2021). Furthermore, greater adherence to international product standards could help reduce compliance burdens on producers and facilitate more efficient cross-border trade of environmental goods (Kuriyama et al., 2023).

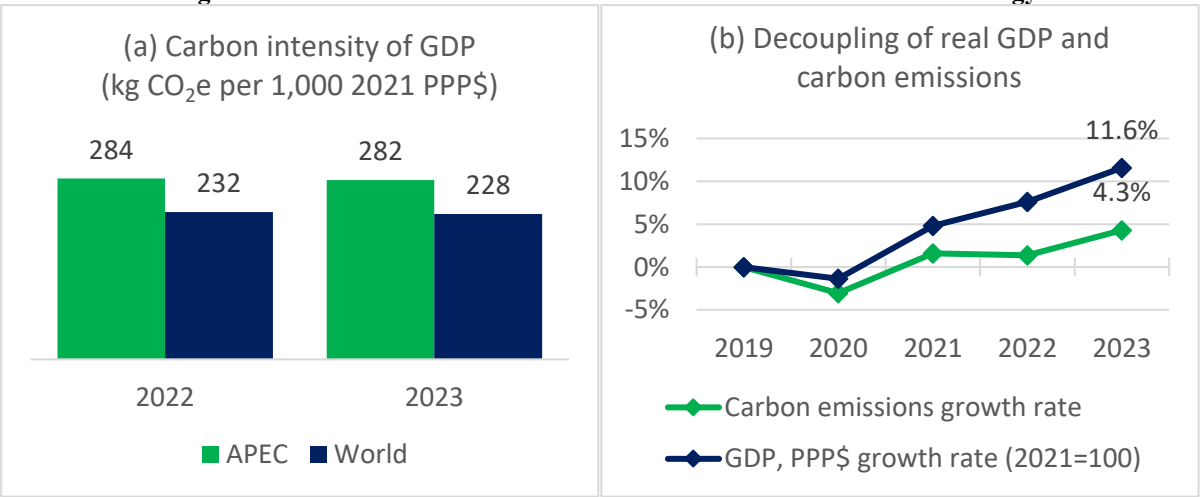
Besides environmental goods, environmental services are also vital in achieving APEC's goals. Environmental services cover a wide range of activities, including sanitary infrastructure, air and water quality management, and the protection of ecosystems. An enabling regulatory atmosphere in environmental services—through measures providing flexibility in foreign ownership limits and simpler license procedures—facilitates APEC members to get easier access to environmental solutions across the region.

In 2015, APEC adopted the Environmental Services Action Plan (ESAP) to advance liberalization, facilitation, and cooperation of environmental services across the region. To help define the scope of these services, a Reference List of Environmental and Environmentally Related Services was adopted in 2021 (APEC, 2021c). In 2023, the APEC Group on Services (GOS) conducted a review of this reference list and included two additional service categories [21] —recycling and forest ecosystem functioning—to make the list more comprehensive and responsive to emerging environmental needs.

2.4.2 Promoting the transition to more efficient energy

As one of the fastest-growing regions in the world, APEC accounts for 59 percent of global GHG emissions and 64 percent of global carbon emissions in 2023.[22] Over the years, the region has made progress in improving its energy efficiency, as reflected in a gradual decline in carbon intensity (measured as kg CO_2e per 1,000 2021 PPP$)—from 284 in 2022 to 282 in 2023 (Figure 26a). However, despite this improvement, APEC's performance still falls behind the world aggregate.

Figure 26. Selected indicators on APEC's transition to more efficient energy



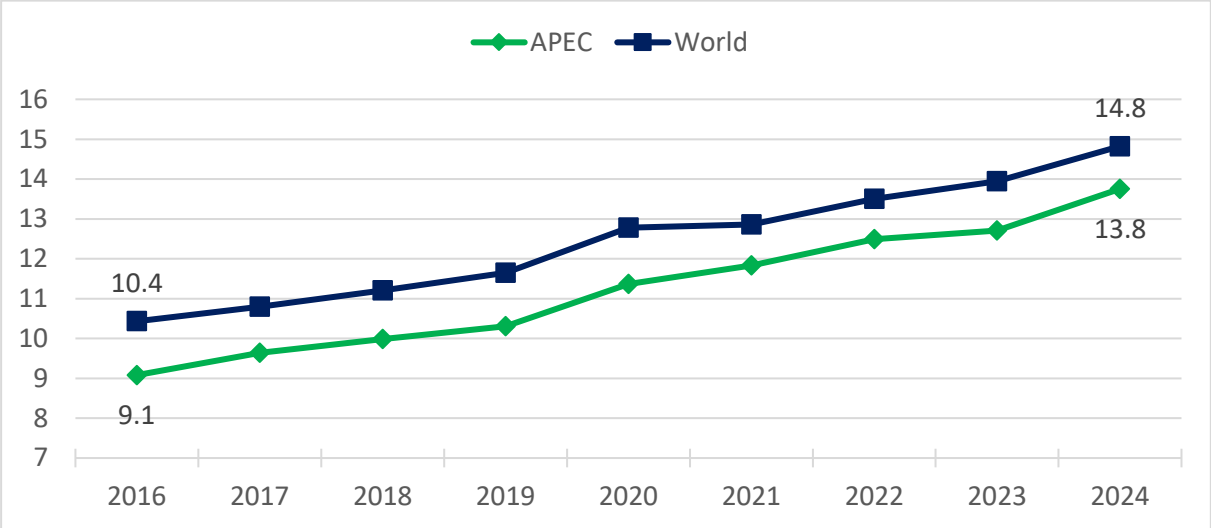
Note: (a) Data for Chinese Taipei is unavailable. The APEC aggregate is a weighted average based on real GDP PPP$ (2021=100). (b) Data for Chinese Taipei is unavailable. Percent change relative to the baseline year 2019.
Source: APEC PSU calculations using data from the World Bank (accessed 18 March 2025).

Although APEC's carbon intensity has been falling, this does not necessarily indicate a reduction in total carbon emissions. In fact, the latest data shows that both real GDP and carbon emissions have increased compared to the 2019 pre-pandemic baseline.[23] The recent decrease in carbon intensity in APEC between 2022 and 2023 was mainly due to real GDP growing at a faster rate than carbon emissions (Figure 26b).

[21] 61295ex (Wholesale trade services on a fee or contract basis) and 86142ex (Support services to forestry and logging).
[22] APEC PSU calculations using data from the World Bank (accessed 18 March 2025). This APEC aggregate does not include Chinese Taipei due to data unavailability.
[23] 2019 was selected as since the pandemic and the most recent post-pandemic years would not be representative of a normal year.

The key to fully decoupling carbon emissions from economic growth lies in a more efficient energy transition, which is why many APEC economies have recognized the importance of boosting the use of renewable energy. In fact, APEC has steadily increased its reliance on renewable energy sources from 9.1 percent in 2016 to 13.8 percent in 2024 (Figure 27). Notwithstanding this progress, APEC's performance still lags behind the world.

Figure 27. Share of primary energy consumption from renewable sources, by economy (percent)

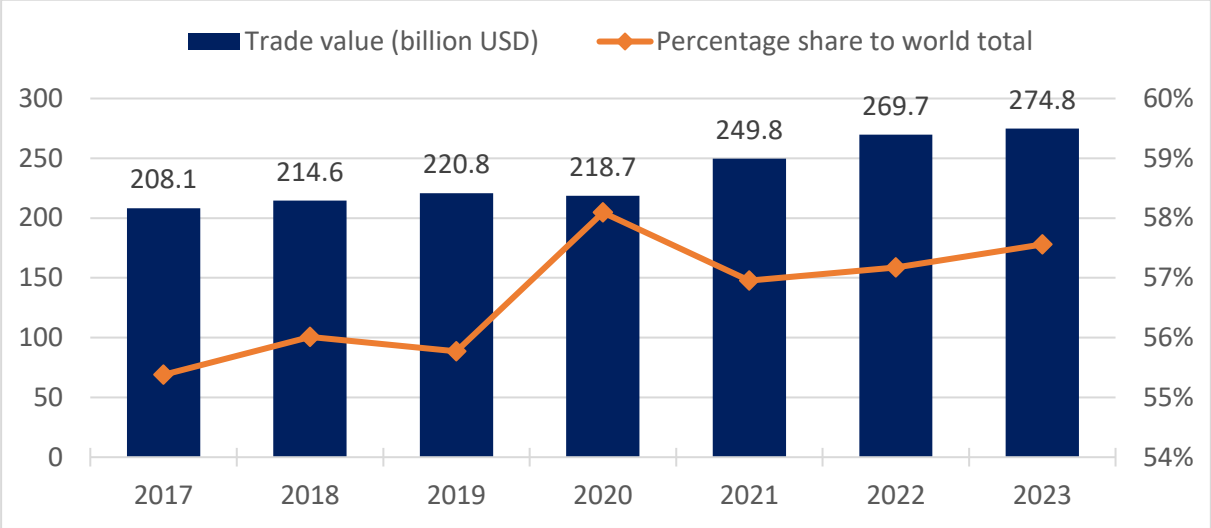


Note: Renewable energy sources include hydropower, solar, wind, geothermal, bioenergy, wave, and tidal, but not traditional biofuels. The APEC aggregate is a weighted average based on real GDP PPP$ (2021=100). Data for Brunei Darussalam; and Papua New Guinea are unavailable.
Source: APEC PSU calculations using data from Our World in Data, StatsAPEC, and the World Bank (accessed 24 September 2025).

To further increase the share of renewable energy and to make economic development more energy-efficient, APEC economies have been implementing policies that attract investment in renewable energy innovation and infrastructure. Governments are encouraging a more investor-friendly environment by simplifying procedures for initiating renewable energy projects, such as reducing regulatory hurdles and offering financial incentives (APSEC, 2022). Support has also been given to developing emerging technologies, such as low-carbon hydrogen. The APEC Energy Working Group (EWG), for example, has adopted a policy guidance document to help facilitate knowledge, technological, and policy exchanges on this matter (APEC, 2024). These actions could help accelerate APEC's transition to a more sustainable and low-carbon region.

The trade of renewable energy-related goods can also help raise the share of renewable energy in the region's energy consumption. By facilitating access to key technologies and components through trade, APEC economies can establish better renewable energy infrastructure and support the region's transition to more efficient energy sources. From 2017 to 2023, the trade value of renewable energy-related goods rose from USD 208.1 billion to USD 274.8 billion. Over the same period, APEC's share of global trade increased from 55.4 percent to 57.6 percent (Figure 28).

Figure 28. APEC trade of renewable energy-related goods in 2017-2023



Note: The APEC aggregate is a sum of data available. Data for Papua New Guinea; and Chinese Taipei are unavailable. Russia data for 2022 and 2023 are based on 2021 data. Viet Nam data for 2023 is based on 2022 data.
Source: APEC PSU calculations using data from UN Comtrade, downloaded via the World Integrated Trade Solution (WITS) (accessed 18 March 2025).

3. FINAL REMARKS

These remarks by the PSU are shared for consideration of CTI. 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 jeopardizing 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 NTMs is essential to maintain a more predictable trade environment. APEC economies are encouraged to improve transparency, streamline NTMs, and harmonize 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 harmonizing procedures across member economies. In addition, incorporating legal protections for foreign investors in BITs can enhance predictability.

- **Advance economic integration in the region by developing high-standard and comprehensive regional undertakings:** Although the number of new FTAs/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 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.

- **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 TFA has improved from an 84.5 percent average implementation rate in 2023 to 86.9 percent 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 digitalization 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 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.

- **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 formalization:** A formal economy improves resiliency and maximizes 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.

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