

How Trade Winds Have Shifted: Structural Changes in Trade Dynamism in the APEC Region

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KEY MESSAGES

- Trade has been a key driver of prosperity in the Asia-Pacific, with deeply interconnected supply chains and trade networks supporting growth, employment, and economic integration among APEC economies. While recent events have challenged the international trading system, trade has remained resilient as firms adapt through diversification, supplier substitution and market reorientation.
- This policy brief examines how the relationship between trade and economic output among APEC economies has evolved between 1995 and 2024, focusing on structural changes in trade patterns to assess the impact of major economic events and policy decisions on regional integration.
- The analysis identifies three structural breakpoints – 1999, 2007 and 2017 – when shifts in APEC trade went beyond isolated disruptions and signalled deeper changes in how trade relates to economic output.
- Period I (1995–1999) was built on stronger trade institutions. The creation of the World Trade Organization (WTO) in 1995 helped anchor rules-based trade, reduce uncertainty and support liberalisation. Even the Asian Financial Crisis of 1997, which highlighted the risks of economic interdependence, did not dampen the optimism for trade.
- Period II (2000–2007) marked the strongest phase of integration as global value chains expanded rapidly. Lower transport and communication costs, the rise of container shipping and information technology and China's WTO accession in 2001 helped deepen cross-border production networks and supply chains.
- Period III (2008–2017), which began with the Global Financial Crisis, exposed the vulnerabilities of this integration. Trade contracted sharply, and although it rebounded, growth after 2012 became slower and less dynamic than before. Public and political support for trade weakened as globalisation became associated with inequality, wage stagnation and insecurity.
- Period IV (2018–2024) brought increased tensions around trade and technology among the main global economies. Rising policy uncertainty, including the weakening of the WTO dispute settlement functions, pushed firms and governments toward supply chain diversification, reshoring, nearshoring and friend-shoring strategies. COVID-19 intensified this shift by exposing dependence on external suppliers for critical goods, while logistics bottlenecks and export restrictions highlighted supply chain vulnerabilities and reinforced the case for greater resilience. Trade policy increasingly reflected industrial policy and strategy, tempering the earlier emphasis on open multilateralism and non-discrimination.
- The analysis highlights two immediate priorities for APEC: rebuild support for trade and reduce trade policy uncertainty. Rebuilding support requires making growth more beneficial for all, with trade contributing visibly to household incomes and economic security. Reducing uncertainty requires renewed cooperation, clearer commitments and more predictable policy choices so firms can invest, create jobs and maintain confidence in regional integration.

Introduction

Trade has long been a central pillar of the Asia-Pacific region's prosperity. For many APEC members, cross-border trade is a core part of their economic engine, generating income, jobs and opportunities. Components manufactured in one economy are assembled in another, shipped onward for further processing, and eventually sold in markets across the region and beyond. This dense network of transactions has supported development, lifted incomes and integrated economies with very different institutional and resource endowments.

In recent years, however, the resilience of the international trading system has been tested. A succession of non-trade shocks – from financial crises and commodity price swings to pandemic-related disruptions and logistical bottlenecks – coupled with uncertainties over trade governance and policy has affected both the scale and direction of trade flows.

These developments have fuelled a broader debate about the future of economic integration in the region.¹ Is the Asia-Pacific moving toward fragmentation, or simply adjusting to new conditions? Headlines often emphasise shocks and disruption, yet day-to-day trade statistics show that goods continue to move in large volumes across APEC economies. Even during periods of severe disturbance, commodities, industrial inputs and consumer products rarely stop flowing altogether. Instead, trade adapts, with firms seeking alternative suppliers, rerouting shipments or diversifying markets.

Indeed, underpinning the turbulent surface of daily trade transactions and fluctuations is a structural base of trading institutions, supply chains and economic relationships.

The APEC region has experienced significant structural transformations before, including the rapid globalisation of the late twentieth century and the economic rebalancing that followed the 2008 Global Financial Crisis. Understanding how trade is evolving requires a deeper understanding of underlying shifts in trade patterns. This policy brief examines the underlying relationship between economic output and trade between APEC economies from 1995 to 2024 to see how regional trade has been evolving. By focussing on structural changes in trade patterns, it seeks to understand how the region's economic structure has been affected by events and decisions.

Structural changes in trade flows

The last three decades have had no shortage of events that could be considered as having a structural impact on trade patterns. These events include economic crises and geopolitical tensions as well as extreme weather events and pandemics. However, identifying precisely which years and which events have contributed to these structural changes could be subjective: an event considered by one observer as significant could be marginal for another.

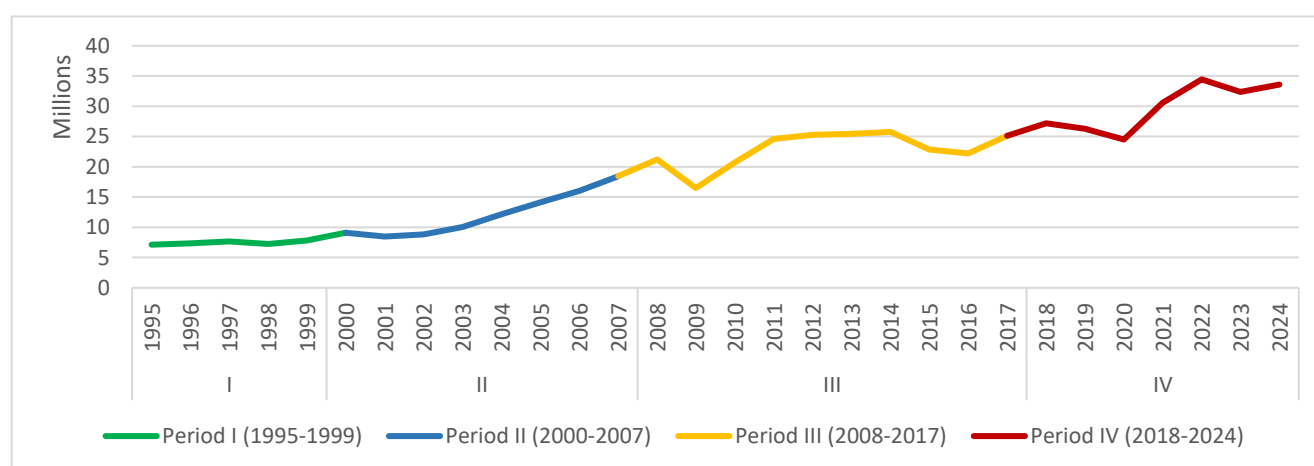


Figure 1. Four structural periods of APEC trade, 1995–2024

Note: Chart indicates average bilateral trade flows between APEC economies, and colours indicate structural phases. Source: CEPPI-BACI data and APEC Policy Support Unit (PSU) staff estimates.

¹ E. A. San Andres et al., "Win, Lose or Draw: Estimating the Impact of Trade Disengagement on APEC Trade," Policy Brief 60, APEC Policy Support Unit (PSU), 2024, <https://www.apec.org/publications/2024/05/win--lose-or-draw--estimating-the-impact-of-trade-disengagement-on-apec-trade>

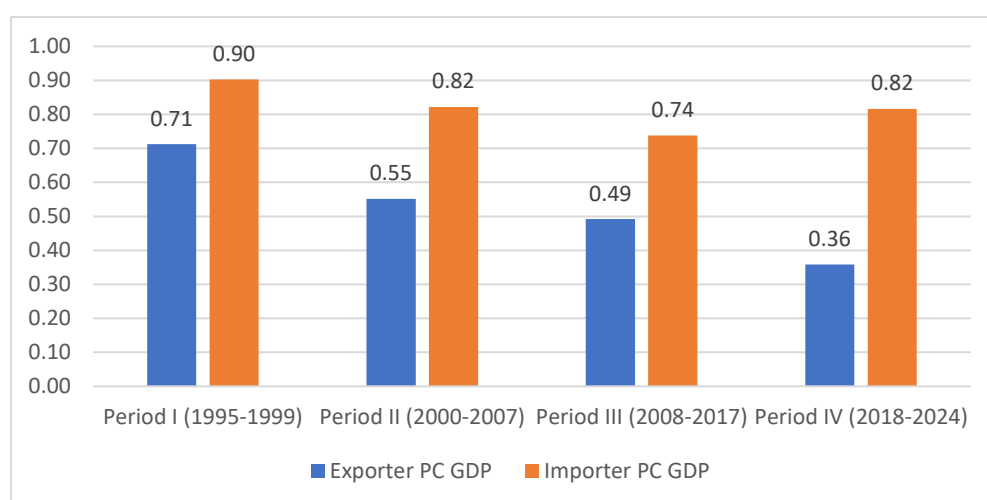


Figure 2. Income elasticity of trade in APEC, 1995–2024

PC GDP=per capita gross domestic product.

Note: Elasticities are estimated using bilateral panel fixed effects Ordinary Least Squares with Huber-White robust standard errors. Source: CEPII-BACI data and APEC PSU staff estimates.

To objectively identify structural changes in trade, this policy brief employs a methodology that finds periods in which changes are observed in the statistical relationship between trade and broader macroeconomic conditions, in particular when and how often fundamental shifts are seen in the correlation between bilateral merchandise trade and the gross domestic product (GDP) of trading partners.²

The findings show three structural breakpoint years in which the relationships between these indicators changed – 1999, 2007 and 2017 – resulting in four structural periods, that is, (I) 1995–1999, (II) 2000–2007, (III) 2008–2017 and (IV) 2018–2024. This analysis is illustrated in Figure 1.

Observed changes in the statistical relationship between trade and macroeconomic conditions – known as the income elasticity of trade³ – are shown in Figure 2. Estimates show that the income elasticity of trade has been on a general downward trend over 1995–2024, that is, the relationship between trade and per capita GDP growth has been decreasing over time. In particular, several studies have observed this since the early 2000s, often attributing it to diminishing returns from trade openness and the maturing of global supply chains, as well as growth rebalancing and reduced

consumer sentiment after the 2008 Global Financial Crisis.⁴

However, the Period IV increase in the income elasticity of trade among importers and decrease among exporters likely reflect the impact of a number of events occurring during this time, including the increase of geopolitical tensions and trade-restrictive measures; front-loading of imports in anticipation of potential new restrictive measures; the COVID-19 pandemic that increased the demand for medical products and equipment, electronics, information and communication equipment, semiconductors, among others; and the shift of firm strategies, including the reorientation of supply chains (from a ‘just-in-time’ model to a ‘just-in-case’ model) based on inventory redundancies and diversifying sources for parts, components and other materials.

To further analyse the significance of these periods, we estimate a yearly indicator (i.e., year fixed-effects) that captures the combined effect of economic, policy and global events influencing bilateral trade relationships. While this indicator does not explain what caused trade flows to accelerate or slow down during these years, it provides a measure of whether the general conditions in a particular year were more or less favourable to trade

² Specifically, the methodology uses the Bai-Perron test to find structural breaks in historical data: J. Bai and P. Perron, “Computation and Analysis of Multiple Structural Change Models,” *Journal of Applied Econometrics* 18 (2003): 1–22. A technical description can be found in the Methodology Note: https://www.apec.org/docs/default-source/publications/2026/9/226_psu_methodology-note-for-pb73.pdf

³ More specifically, income elasticity of trade measures the percentage change in trade flows for every 1 percent increase in per capita GDP. So an elasticity of 0.71 means that every 1 percent increase in income is correlated with a 0.71 percent increase in trade flows.

⁴ For example, see: M. Auboin and F. Borino, “The Falling Elasticity of Global Trade to Economic Activity: Testing the Demand Channel,” CESifo Working Paper 7228, Center for Economic Studies and ifo Institute, 2018; A. Alessandro et al., “The Cyclical Elasticity of Trade,” Economic Working Paper 1126, Bank of Italy, 2017.

compared to the baseline year (in this case 1995). These could include macroeconomic shocks such as recessions or bumper harvests as well as trade policy trends and uncertainties that affect bilateral trade flows. A positive value suggests that economic and trade policy conditions were more favourable to trade, while a negative estimate indicates less conducive trade conditions. Figure 3 shows these estimates based on three different approaches to ensure the findings are robust.

While these approaches yield slight differences in magnitude, their estimates show a clear pattern of an initial upward then a downward trend. Relative to the base year of 1995 (the start of our dataset) there was a clear improvement in conditions for trade dynamism during Periods I and II in the 1990s until the early 2000s, then a slowdown in dynamism starting at the end of Period II, followed by a protracted and deepening decline in trade dynamism during Periods III and IV from 2008 until the 2020s.

Based on these statistical findings, what has been the story of trade and trading relationships in the APEC region? The next sections narrate some of the major trade and economic events in the region corresponding to these structural periods. While this sequence may not be exhaustive of all events that happened during this long period, this policy brief attempts to provide a brief narrative explaining these findings.

Period I (1995–1999): Establishing the multilateral trading system

The mid-1990s marked the beginning of a new phase in global economic integration. The establishment of the World Trade Organization (WTO) in January 1995 replaced the more provisional General Agreement on Tariffs and Trade (GATT) framework with a rules-based multilateral trading system.⁵ For the first time, a credible institutional architecture existed to enforce trade commitments, lower the risk of arbitrary policy reversals and provide a stable platform for cross-border investment planning. Trade policy uncertainty, while never absent, was meaningfully contained by the predictability that WTO membership conferred.

Against this institutional backdrop, trade liberalisation proceeded rapidly. Tariff reductions were implemented by many WTO members, regional trade agreements proliferated, and capital account liberalisation in emerging economies opened new corridors for trade finance and foreign direct investment.⁶ Meanwhile, among APEC economies, the 1994 Bogor Goals of ‘free and open trade and investment in the Asia-Pacific’ were being operationalised through the Osaka Action Agenda, emphasising WTO consistency and non-

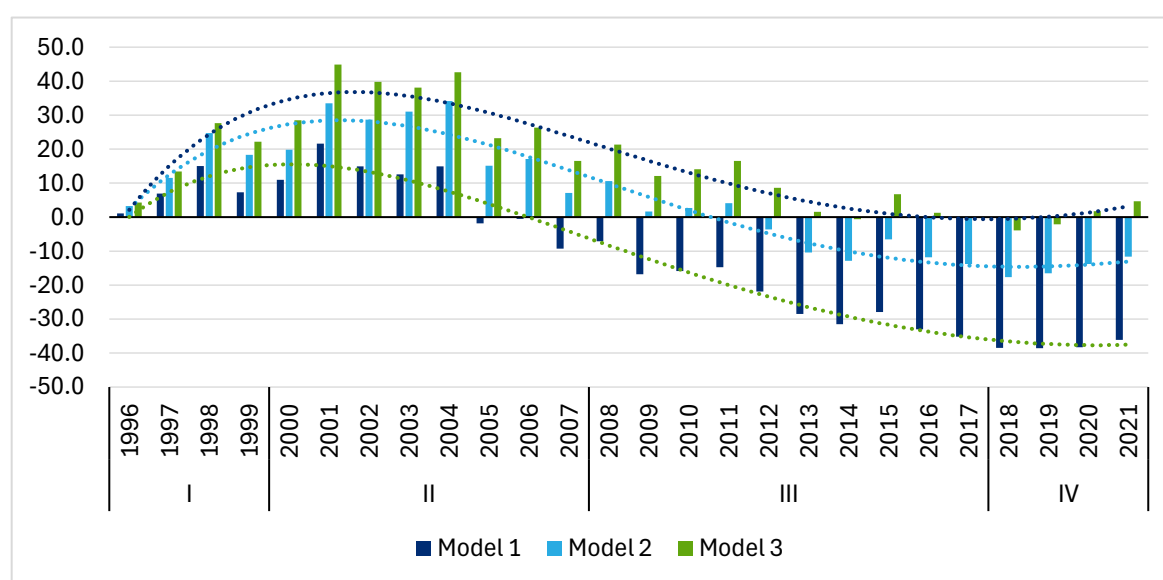


Figure 3. Bilateral trade year fixed-effects (in %), 1995–2021

Note: Bars indicate the estimates of the combined effect of economic, policy and global events on bilateral trade flows in percentage terms relative to 1995. Dotted lines show the overall trend of these estimates. Source: CEPII-BACI data and APEC PSU staff estimates.

⁵ World Trade Organization (WTO), “WTO in Brief” (WTO, 1995). See also B. M. Hoekman and M. M. Kostecki, *The Political Economy of the World Trading System*, 3rd ed. (Oxford University Press, 2009).

⁶ International Monetary Fund (IMF), *World Economic Outlook: The Information Technology Revolution* (IMF, 2001).

discrimination in trade liberalisation.⁷ Global merchandise trade volumes grew at rates consistently outpacing global GDP growth during this period, reflecting both the expansion of existing trade relationships and the absorption of new market participants into the multilateral system.⁸

However, the period experienced its share of disruptions. The Asian Financial Crisis of 1997–1998 delivered a significant shock to export-dependent economies in the region, temporarily depressing trade volumes and exposing the vulnerabilities of financial systems in economies deeply integrated into global supply chains.⁹ Nevertheless, the institutional foundations established at the WTO's inception proved resilient: the 1997 crisis triggered no major protectionist backlash of the kind seen after the 1930s Great Depression. Affected economies continued on their course of integrating into global trade, and the number of free trade agreements (FTAs) signed and in force continued to increase (Figure 4).

Period II (2000–2007): Deepening integration and global value chains

After Period I established global trade rules and institutions, Period II saw the resulting trade dynamism and integration. The expansion of global value chains (GVCs) was the structural expression of this integration.¹⁰ Rather than trading finished goods, economies increasingly traded parts and components, with production distributed across multiple economies according to comparative advantage. This was made possible not only by the policy stability brought about by the WTO, but by dramatic reductions in transport and communication costs, the rise of container shipping, and the spread of information technology platforms enabling real-time coordination of cross-border production networks.¹¹ As a result, trade grew much faster than the GDPs of both developed and developing economies,

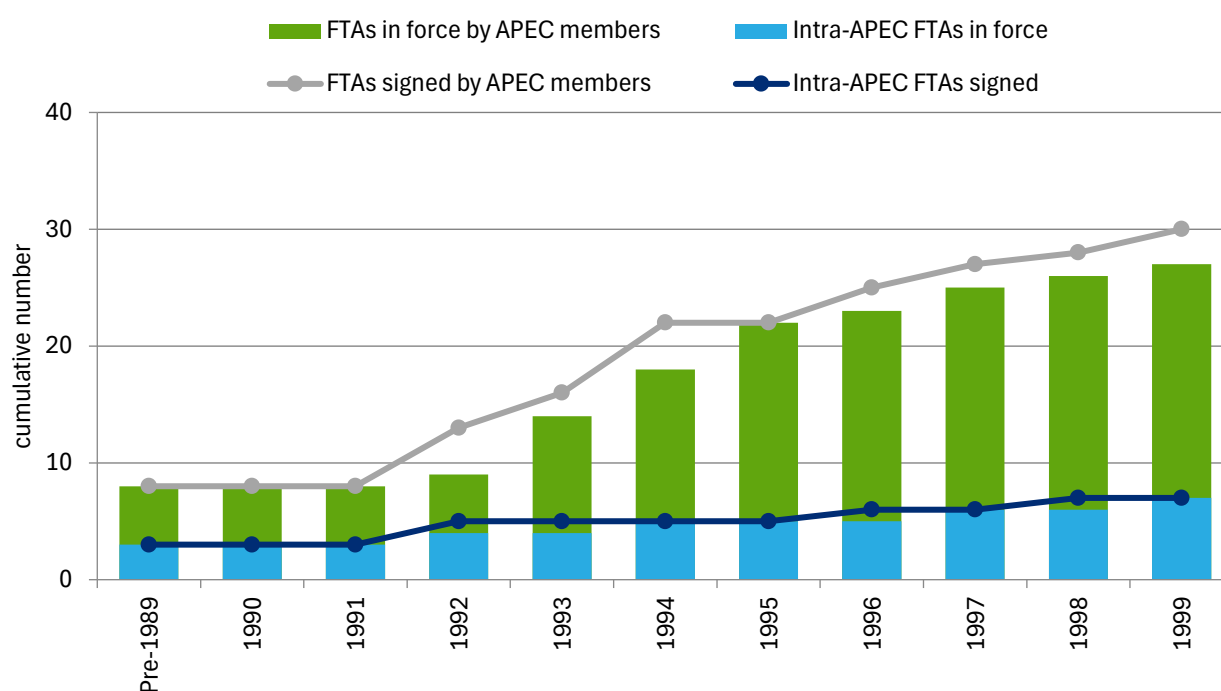


Figure 4. Free trade agreements in APEC (cumulative number), pre-1989–1999

FTA=free trade agreement.

Source: APEC PSU, “APEC in Charts 2020” (APEC, 2020) using economy sources and World Trade Organization (WTO) data.

⁷ APEC, “1995 Leaders’ Declaration,” 1995, https://www.apec.org/meeting-papers/leaders-declarations/1995/1995_aelm

⁸ World Bank, *World Development Report 2020: Trading for Development in the Age of Global Value Chains* (World Bank, 2020).

⁹ IMF, *World Economic Outlook: Financial Crises: Causes and Indicators* (IMF, 1998).

¹⁰ Organisation for Economic Co-operation and Development (OECD), WTO, and World Bank, “Global Value Chains: Challenges, Opportunities, and Implications for Policy” (report prepared for the G20 Trade Ministers Meeting, Sydney, Australia, July 2014).

¹¹ R. Baldwin, *The Great Convergence: Information Technology and the New Globalisation* (Harvard University Press, 2016).

and economies also became more connected and interdependent through trade and investment. In this sense, the standard metrics of trade volume no longer captured the full extent of how deeply international trade had become embedded in domestic economic activity.

This activity can be seen in Figure 5. The heat map shows the 2000–2007 annual average growth rate in

total bilateral merchandise trade among all the 420 bilateral pairs across APEC: green squares indicate positive growth, and red squares show a contraction. The heat map shows that the vast majority of bilateral trading relationships experienced a high degree of growth during the period, indicating increased trade dynamism in the region.

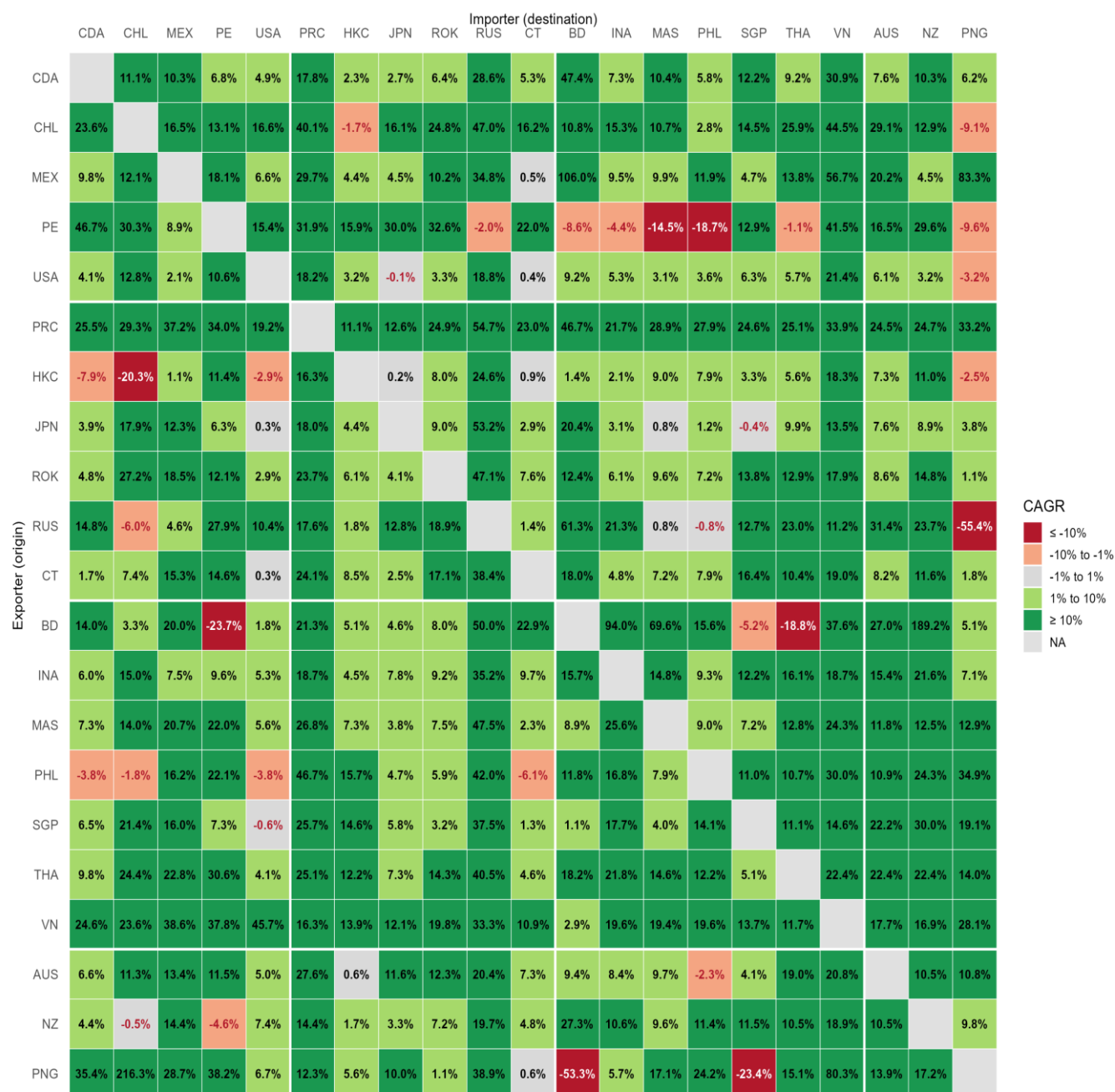


Figure 5. Visualisation of bilateral trade flows in APEC, 2000–2007 – CAGR heat map

CAGR=compound annual growth rate. AUS=Australia; BD=Brunei Darussalam; CDA=Canada; CHL=Chile; PRC=China; HKC=Hong Kong, China; INA=Indonesia; JPN=Japan; ROK=Korea; MAS=Malaysia; MEX=Mexico; NZ=New Zealand; PNG=Papua New Guinea; PE=Peru; PHL=Philippines; RUS=Russia; SGP=Singapore; CT=Chinese Taipei; THA=Thailand; USA=United States; VN=Viet Nam. Note: Economies in the heat map are arranged according to geographical sub-regions within APEC. Source: CEPII-BACI data and APEC PSU staff estimates.

One important event of this period was China's accession to the WTO in December 2001, which integrated China's economy and its rapidly expanding industrial capacity more deeply into the global trading system.¹² China's entry further accelerated the development of GVCs. Firms facing high costs in their home economies had already been relocating to places with lower costs, and China became a more attractive option after its accession to the WTO. At the same time, economies seeking to attract foreign investments adapted their export strategies in response to the new competitive pressures and opportunities created by China's emergence as a manufacturing hub.

Commodity markets amplified the boom. Rising demand from large emerging economies drove commodity prices sharply higher from the early 2000s onwards, generating substantial trade gains for resource-exporting economies in Africa, Latin America and the Middle East.¹³ Trade uncertainty in this period was low relative to historical norms. The Doha Development Round, launched in 2001, signalled continued multilateral ambition even if progress was slower than expected, and the general perception among governments and firms alike was that the direction of global economic integration – toward greater trade openness, integration and liberalisation – was immutable and irreversible.¹⁴ But this optimism on trade and globalisation would later fade.

Period III (2008–2017): Crisis, uncertainty and disillusionment

The Global Financial Crisis (GFC) of 2008–2009 produced the sharpest peacetime contraction in global trade volumes on record. World merchandise trade fell by approximately 12 percent in 2009, a decline that exceeded the concurrent fall in global economic activity and reflected the amplifying role of trade finance disruption, inventory liquidation and collapsing demand across interconnected supply chains simultaneously.¹⁵

The synchronised nature of the shock was itself a product of the deep integration built during the previous period: the same GVC linkages that had accelerated growth in good times became transmission channels for the crisis.

The recovery that followed was uneven and incomplete. Trade volumes rebounded sharply in 2010 and 2011 as governments introduced stimulus measures and firms rebuilt their inventories, but the subsequent trajectory disappointed expectations.¹⁶ After 2012, global trade began growing more slowly than the world economy. This 'global trade slowdown' reflected several changes: the rebalancing of economic growth in export-oriented economies away from investment-intensive manufacturing toward consumption and services, a structural moderation in GVC expansion as the easiest opportunities to spread production across economies had already been realised and a gradual cooling of commodity markets.¹⁷

The political economy of trade also began shifting during this period. The GFC generated significant distributional strains in industrialised and regionally integrated economies, with trade liberalisation often taking the blame for wage stagnation and job insecurity. While studies suggest that technological change was a more important driver of labour market disruption than trade, the political salience of trade as a target grew substantially.¹⁸ At the same time, the rapidly growing digital economy emerged as a new arena for geopolitical competition, accompanied by concerns over digital fragmentation and data localisation, among others. Meanwhile, the failure of the Doha Round to reach a conclusion was both a symptom and a cause of flagging multilateral ambition. Trade policy uncertainty indices, which compile signals from policy announcements, surveys and media coverage, began trending upward from the mid-2010s, anticipating the more acute disruptions that would mark the end of the 2010s (Figure 6).¹⁹

¹² WTO, "Accession of the People's Republic of China: Decision of 10 November 2001," WT/L/432, 23 November 2001.

¹³ IMF, "Globalization, Commodity Prices, and Developing Countries," in *World Economic Outlook: Housing and the Business Cycle* (IMF, 2008), Ch. 5. This chapter focuses on commodity prices and the global outlook.

¹⁴ WTO, "Understanding the WTO: Doha Development Agenda," accessed 1 September 2026, https://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm. See also A. Narlikar et al., eds, *The Oxford Handbook on the World Trade Organization* (Oxford University Press, 2012).

¹⁵ WTO, *World Trade Report 2009: Trade Policy Commitments and Contingency Measures* (WTO, 2009). The 12 percent figure reflects the organisation's contemporaneous estimates of the 2009 trade volume decline.

¹⁶ World Bank, "Global Economic Prospects: Having Fiscal Space and Using It" (World Bank, 2015).

¹⁷ IMF, "Understanding the Slowdown in Capital Flows to Emerging Markets," in *World Economic Outlook: Too Slow for Too Long* (IMF, 2016), Ch. 2. This chapter analyses the global trade slowdown.

¹⁸ OECD, *OECD Employment Outlook 2017* (OECD Publishing, 2017). See also D. H. Autor et al., "The China Shock: Learning from Labor-market Adjustment to Large Changes in Trade," *Annual Review of Economics* 8 (2016): 205–40.

¹⁹ S. R. Baker et al., "Measuring Economic Policy Uncertainty," *The Quarterly Journal of Economics* 131, no. 4 (2016): 1593–636. See also the World Trade Uncertainty Index discussed in H. Ahir et al., "The World Uncertainty Index," Working Paper 29763, National Bureau of Economic Research (NBER), 2022.

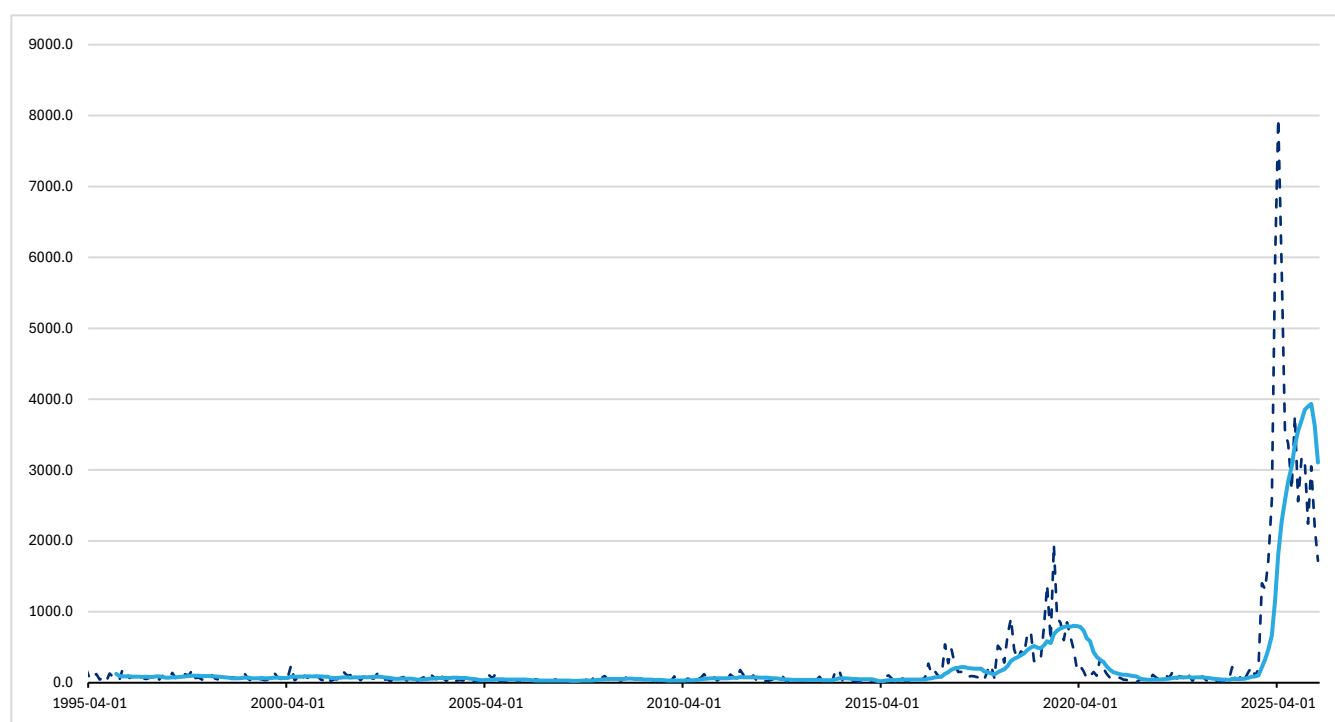


Figure 6. Economic Policy Uncertainty Index: Trade Policy, Jan 1995 – Apr 2026

Note: The broken line is the monthly index value, while the solid line is the one-year moving average. The monthly trade policy uncertainty index counts the frequency of joint occurrences of trade policy and uncertainty terms across major newspapers, firms' earnings conference calls, and data on tariff rates. Source: S. R. Baker et al., "Economic Policy Uncertainty Index: Categorical Index: Trade Policy," from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/EPUTRADE>, retrieved 19 June 2026.

Period IV (2018–2024): Disengagement and realignment

The structural break identified around 2017 marks the entry into a qualitatively different trade environment, one characterised not merely by slower growth but by growing strains on the institutions, rules and norms that had supported the global trading system over the previous quarter-century. In May 2017, APEC Ministers Responsible for Trade, meeting in Ha Noi, Viet Nam, were not able to reach a consensus statement, the first of several APEC Leaders' and Ministerial meetings that did not result in joint declarations. This period also saw the weakening of the WTO's settlement functions in 2019, when the Appellate Body ceased to be functional.

The most visible trigger was rising trade and technology tensions between China and the United States. While bilateral China–US trade contracted in targeted sectors, alternative trade flows, particularly through

²⁰ IMF, *World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers* (IMF, 2019).

intermediaries such as Southeast Asia and Mexico, expanded, reflecting trade diversion.²⁰ Firms facing sustained tariff uncertainty began restructuring their sourcing and production footprints, a process variously described as 'reshoring', 'nearshoring' or 'friend-shoring', reflecting the growing importance attached to supply chain resilience and strategic autonomy alongside cost efficiency.²¹ Figures 7A and 7B illustrate this movement: the heat map for final consumption goods is visibly redder than the heat map for intermediate goods. Between 2018 and 2024, bilateral trade in final consumption goods grew at an average rate of 0.58 percent, while the average growth for intermediate goods was 0.79 percent. This could also explain the Period IV increase in importers' income elasticity of trade seen in Figure 2: reconfiguration of supply chains, precautionary restocking of inventories and front-loading of imports contributed to the rising responsiveness of trade to income among importers.

The COVID-19 pandemic in 2020 intensified these pressures. Trade pressures came from two fronts: first, domestic measures to contain the pandemic, such as

²¹ World Bank, *World Development Report 2023: Migrants, Refugees, and Societies* (World Bank, 2023). See also OECD, *OECD Economic Outlook, Vol. 2023, Iss. 1: A Long Unwinding Road* (OECD Publishing, 2023), for discussion of supply chain restructuring trends.

workplace closures, travel restrictions and social distancing requirements, led to supply-side disruptions to production and logistics. Second were the export restrictions implemented in certain situations with the intention of securing the domestic supply of essential goods like food, medicines and medical equipment.

By 2022–2024, the language of trade policy had shifted markedly. Industrial policy, long viewed sceptically by mainstream economic theory and trade policy, returned to prominence as governments pursued strategic investments in semiconductors, energy and technology. The proliferation of export controls, investment

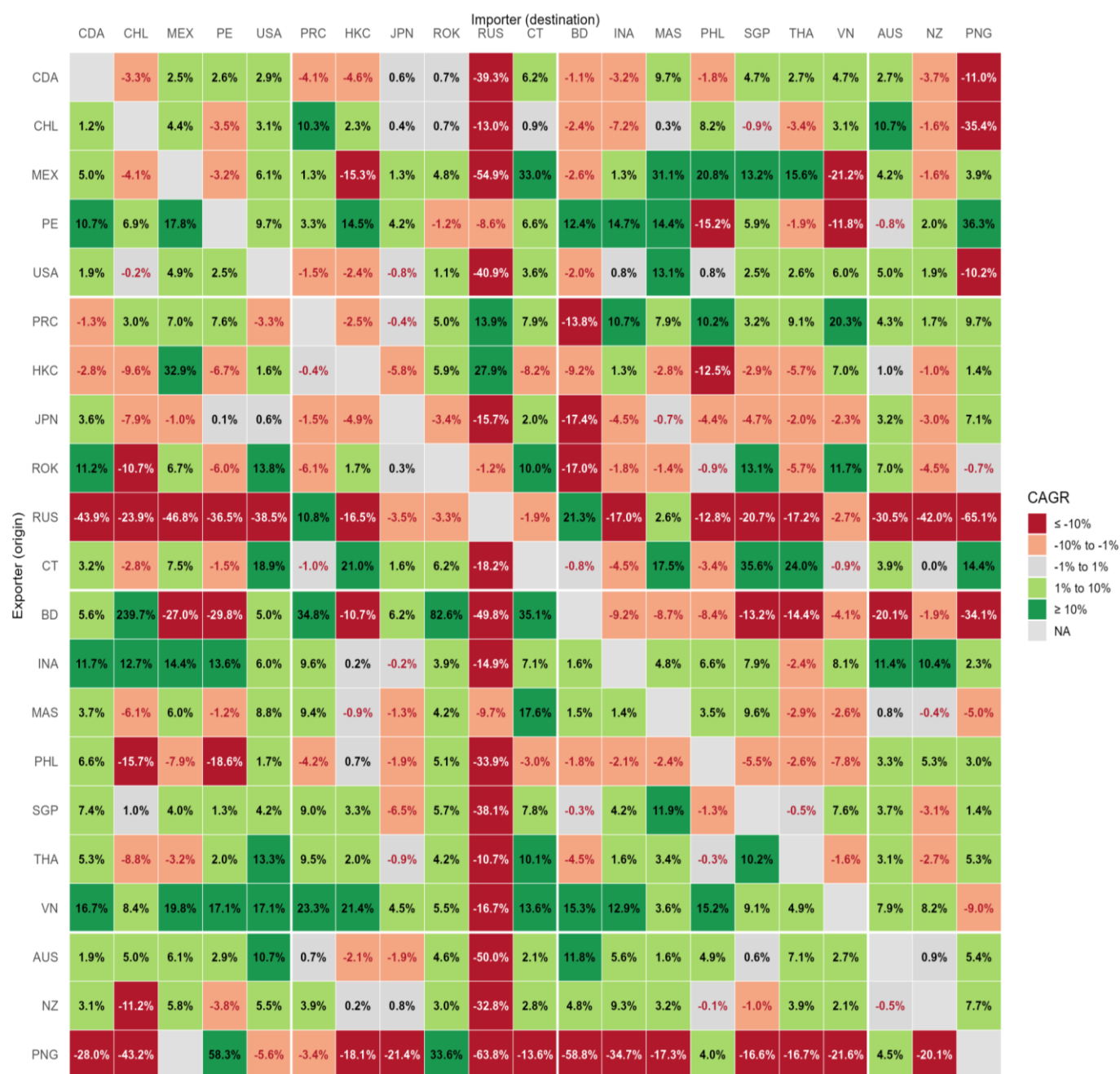


Figure 7A. CAGR heat maps of bilateral trade flows in APEC, 2018–2024 – final consumption goods

CAGR = compound annual growth rate. AUS=Australia; BD=Brunei Darussalam; CDA=Canada; CHL=Chile; PRC=China; HKC=Hong Kong, China; INA=Indonesia; JPN=Japan; ROK=Korea; MAS=Malaysia; MEX=Mexico; NZ=New Zealand; PNG=Papua New Guinea; PE=Peru; PHL=Philippines; RUS=Russia; SGP=Singapore; CT=Chinese Taipei; THA=Thailand; USA=United States; VN=Viet Nam.

Note Economies in the heat map are arranged according to geographical sub-regions. Source: CEPII-BACI data and APEC PSU staff estimates.

screening mechanisms and 'economic security' frameworks marked a departure from the traditional emphasis on non-discrimination and open multilateralism associated with the WTO.²² Trade policy

uncertainty rose and remained at elevated levels compared to earlier periods, reflecting a reconfiguration of the relationship between trade, security and industrial strategy.²³

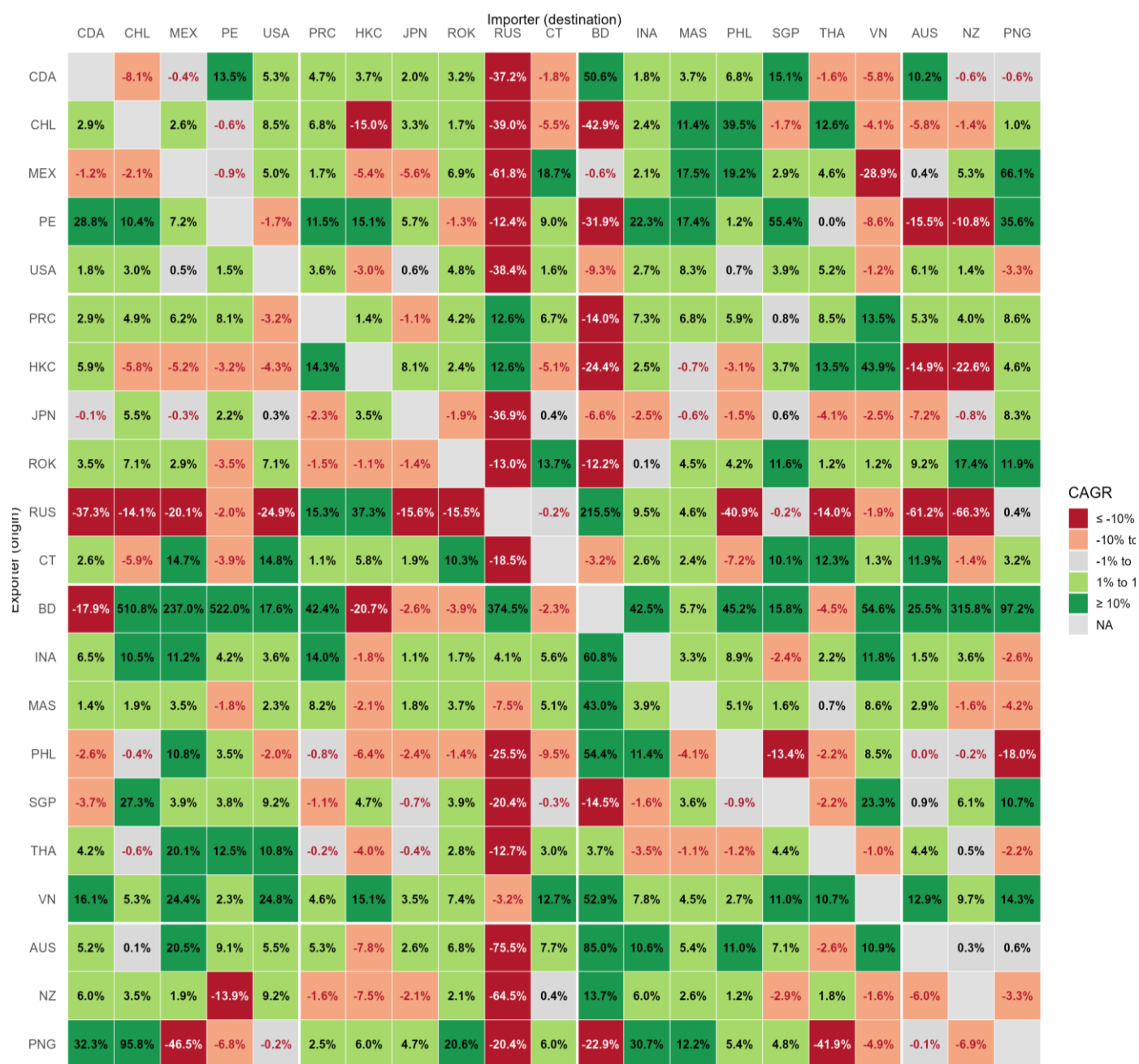


Figure 7B. CAGR heat maps of bilateral trade flows in APEC, 2018–2024 – intermediate goods

CAGR = compound annual growth rate. AUS=Australia; BD=Brunei Darussalam; CDA=Canada; CHL=Chile; PRC=China; HKC=Hong Kong, China; INA=Indonesia; JPN=Japan; ROK=Korea; MAS=Malaysia; MEX=Mexico; NZ=New Zealand; PNG=Papua New Guinea; PE=Peru; PHL=Philippines; RUS=Russia; SGP=Singapore; CT=Chinese Taipei; THA=Thailand; USA=United States; VN=Viet Nam.

Note: Economies in the heat map are arranged according to geographical sub-regions. Source: CEPII-BACI data and APEC PSU staff estimates.

²² OECD, *Economic Security in a Changing World, New Approaches to Economic Challenges* (OECD Publishing, 2025), <https://doi.org/10.1787/4eac89c7-en>. See also WTO, *World Trade Report 2023: Re-globalization for a Secure, Inclusive and Sustainable Future* (WTO, 2023).

²³ Ahir et al., "The World Uncertainty Index." Elevated readings in the World Uncertainty Index from 2018 onwards are documented in IMF *World Economic Outlook* updates across 2019–2024.

Final remarks and recommendations

Trade in the APEC region has had its share of ups and downs. These changes have been reflected not only in trade volumes and values, but also in the deeper structural relationships that underpin trade flows, jobs and prosperity across the region. As the data and narrative have shown, the mid-1990s consensus for open markets helped build extensive trade networks and global value chains in the early 2000s. The highly dynamic trade environment drove economic growth and strengthened integration in the APEC region.

Over time, concerns grew about how the benefits of globalisation were shared, and support for further trade liberalisation weakened. Nevertheless, international trade itself remained strong (in 2024, the APEC region traded USD 12.2 trillion in merchandise goods and USD 3.1 trillion in commercial services²⁴) but the optimism that marked the heady days of the 1990s and 2000s has faded. Instead, businesses and governments now operate in an environment characterised by trade policy uncertainty and geopolitical tensions.

But the good news is that the story of trade in the Asia-Pacific is still being written. It is possible to regain the consensus for trade that has delivered substantial material benefits for the APEC region.²⁵ Our analysis identifies two turning points that marked a slowdown in the region's trade dynamism: 2007 and 2017. The first negative turning point, 2007, coincided with the onset of the GFC and growing concerns over rising inequality and economic insecurity. The second negative turning point, 2017, marked the start of increased and sustained trade policy uncertainty.

Indeed, while economic growth has generated substantial wealth between the 1990s and the 2020s, many people have felt that the benefits have not been shared equitably, with negative impacts on upward mobility and social cohesion.²⁶ This led to the loss of the consensus for trade and, in many places, a political economy hostile to liberalisation and regional integration.

While significant reforms are needed to strengthen the multilateral trading system, a review of APEC Leaders' and Ministers' statements identifies two immediate priorities: (1) rebuilding support for trade and (2) reducing trade policy uncertainty. The post-GFC economic disenfranchisement is real and lasting, and has created the conditions for a pushback against globalisation. Countering this requires a restructuring of domestic economies in a way that ensures all people have a stake in economic growth and prosperity. A growing GDP should not only be reflected in quarterly earnings reports but also in all people's incomes and sense of economic security. An economic engine that is seen as delivering for all, and not just a few, will garner support for that engine.

The second task – reducing trade policy uncertainty – follows from and amplifies the first. The institutional and political causes of economic policy uncertainty, as well as their impacts on economic growth, are well-known and studied.²⁷ Uncertainty can discourage investment, delay business decisions and affect job creation and economic growth. If trade can again be seen as contributing to broad-based prosperity and security, rather than as a threat, then public (and political) support for trade and economic integration will likely strengthen. Likewise, a more stable trading environment will generate economic opportunities and jobs. Just as policymakers came together in 1995 to codify the rules of trade and strengthen institutional multilateralism, renewed commitments to cooperate are needed now. As a first step, policymakers could work to reduce unnecessary policy uncertainty and reinforce confidence in the global economy, recognising that trade policy decisions affect the livelihoods and opportunities of millions of people.

The trading infrastructure developed in the 1990s was far from perfect, but it helped pave the way for the dynamic trading environment of the next two decades. Policymakers need to learn from the mistakes of the past and reform the rules and institutions of trade so that they work for everyone. APEC has no shortage of commitments to this end, but what is needed is to ensure those commitments can stand the harsh winds of the moment.

²⁴ APEC PSU, "APEC in Charts 2025" (APEC, 2025), <https://www.apec.org/publications/2025/10/apec-in-charts-2025>

²⁵ APEC PSU, "The Final Review of APEC's Progress towards the Bogor Goals," 2020, <https://www.apec.org/who-we-are/what-is-apec/achievements-and-benefits/2020-bogor-goals>

²⁶ APEC PSU, "APEC Strategy for Strengthening Quality Growth (ASSQG): Final Assessment" (APEC, 2020), <https://www.apec.org/publications/2020/11/apec-strategy-for-strengthening-quality-growth---final-assessment>

²⁷ For example, S. Davis, "Rising Policy Uncertainty," Working Paper 26243, NBER, 2019, <https://www.nber.org/papers/w26243>; C. Constantinescu et al., "Policy Uncertainty, Trade, and Global Value Chains: Some Facts, Many Questions," Policy Research Working Paper 9048, World Bank, 2019, <http://hdl.handle.net/10986/32657>; J. M. Londono et al., "Costs of Rising Uncertainty," FEDS Notes, 24 April 2025, <https://www.federalreserve.gov/econres/notes/feds-notes/costs-of-rising-uncertainty-20250424.html>

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