



# A New Services Agenda for APEC

*A report for the APEC Business Advisory Council*  
**Stephanie Honey**

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## Disclaimer

The views expressed in this report are solely those of the authors and do not necessarily represent those of the APEC Business Advisory Council (ABAC), the ABAC Chair, nor necessarily the views of any of those interviewed in the course of preparing this report.

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# A New Services Agenda for APEC

## Executive Summary

Services make a critical contribution to APEC economies, generating more than half of the region's GDP, accounting for a large share of employment and trade and serving as a key enabler of regional economic integration, trade, supply chains and global value chains. APEC's Services Competitiveness Roadmap was established in 2016 to support the competitiveness of the sector, setting three overarching strategic targets and putting in place a detailed implementation plan aimed at boosting openness, exports and growth. The Roadmap comes to an end in 2025. This end-point represents a critical juncture for APEC: it is a chance not just to take stock of the progress that economies have made towards the Roadmap goals, but also to refresh ideas about how to achieve the region's collective aspiration for the sector.

### *Steady progress towards the goals of the Roadmap, but still more to do*

Over the last decade, APEC economies have made steady progress towards the original goals of the Roadmap, including through a wide range of specific initiatives. They have achieved some important deliverables, including the APEC Index for the Measurement of the Regulatory Environment for Services (a key enabler of transparency and of the granular analysis needed to shape reform goals), the 2018 Non-Binding Principles on Services Domestic Regulation (helping to reduce trade costs and frictions in the regulatory environment), and extensive work on structural reform, good regulatory practices and technical regulations.

However, while progress has been steady, the region as a whole still has some way to go before it attains the "open and predictable environment" to which it aspired in 2016. APEC economies have made solid inroads towards the first target of increased openness, reducing the restrictiveness of the services environment overall, sectorally and through specific initiatives, although outcomes have been uneven. As for the second and third targets, APEC has fallen somewhat short of increasing its share of global exports and compound annual growth rate, but has achieved a modest increase in services value-added as a share of GDP relative to average global levels.

For businesses, while these are positive outcomes, enhancing competitiveness and access to markets through reduced trade costs, improved coherence and greater interoperability of regulatory settings and standards will be critical to achieving more, and more successful, participation in trade. In addition, even for services businesses focused on domestic markets rather than international trade, further reforms in digitally delivered services trade policy will increase their access via imports to the productivity-improving, innovation-enabling services that are so fundamental to modern business models.

Given the increasingly disrupted trade environment that the region is facing, and the pivotal role that services play in economic activity, it will be essential to give new impetus to reforms in structural settings and trade policy in the period ahead. In other words, while the region can be proud of its record on the Roadmap, the job is not yet done.

### *The rise of digitally delivered services...and of barriers to them*

Digitally deliverable services have been a bright spot in global and regional trade over the last decade, a status intensified by the COVID-19 pandemic, with exports peaking at USD\$4.64 trillion in 2024 on the back of growth rates north of 8 percent per annum. This strong performance reflects

the deepening intersection between digital and services trade, the servicification of manufacturing, and the expansion of technology-enabled global value chains. The rise of artificial intelligence (AI) is set to accelerate this trend, enabling more sophisticated digital delivery of complex services and greater productivity, and in turn requiring an enabling trade environment and resilient trade flows to function optimally.

Taken as a single entity, the APEC region is the second-largest global trader of digitally delivered services, and includes some very significant individual exporters and importers in their own right, notably the United States; China; Singapore; Japan; Canada and Hong Kong, China. Digitally-delivered services offer a range of strategic and economic benefits to APEC economies, including serving as:

- *an economic growth driver*: Digitally delivered services support innovation, productivity and wider participation in global value chains, enhancing employment and opportunities;
- *a channel for and beneficiary of artificial intelligence (AI)*: As AI reshapes the global economy, the integration of AI in services trade, and the importance of trade for AI, will deepen; it will be critical to balance risks, costs and opportunities through well-designed policy settings;
- *a tool for greater environmental sustainability*: Digital services are largely weightless, with a low carbon footprint (AI aside); digitally delivered environmental services, from carbon accounting in supply chains to innovative circularity solutions, can boost sustainability;
- *a catalyst for more inclusive growth*: The ability to deliver and consume services digitally allows smaller firms more easily to access global markets and productivity improvements, providing unprecedented opportunities for micro-, small and medium-sized enterprises (MSMEs), women and Indigenous entrepreneurs, among other groups.

Paradoxically, along with their impressive growth rates, digitally deliverable services now face significant and rising trade barriers – ranging from limitations on data flows and barriers to electronic payments through to more traditional services trade impediments such as licensing and regulatory requirements, the recognition of qualifications, or rules for commercial presence in-market, even for cloud services providers. This rising tide can be seen through the increase in APEC economies’ scores on the OECD’s Digital Services Trade Restrictiveness Index over the last decade. In addition, there is fragmentation in standards and regulation across markets, despite increasing coverage of relevant elements in trade agreements, meaning that the goal of an interoperable trade environment drifts further out of reach.

### *A “New Services Agenda” is needed*

Taking account of the evolution in the regulatory, technological and wider environment, along with burgeoning demand for new and emerging services in the digital and green economies, points to the need to pursue something beyond simply incremental improvements in a modestly updated Roadmap: in fact, a “New Services Agenda” is needed, which focuses on enabling and boosting digitally deliverable and digitally delivered services.

This can be achieved through the progressive removal of barriers and the facilitation of trade in digitally deliverable services (including in critical sectors such as the green economy, and for “new” services, including AI). Recognising the importance of inclusive growth, in parallel it will be important to support greater participation by groups including MSMEs, women and Indigenous entrepreneurs in the supply and consumption of such services, by building capability through targeted support and an enabling regulatory environment.

## Recommendations for A New Services Agenda

### Priority 1: Map the landscape and enhance transparency

- **Update the APEC Index** for the Measurement of the Regulatory Environment for Services for all economies and all sectors, and make this more accessible;
- Establish an **APEC Digitally Delivered Services Trade Repository**, as a complement to the APEC Trade Repository for goods and the APEC Index for services;
- **Engage closely with business stakeholders** (for example, through public-private dialogues) to understand and leverage business perspectives on the emerging technologies used in trade and innovative business models; on which trade barriers “matter”, and on how to design policy and regulatory approaches that are fit for purpose and effective.

### Priority 2: Tackle barriers and promote structural reforms

- Commit to a **standstill on new trade restrictions affecting digitally delivered services**, and commit to apply the APEC Principles on Non-Tariff Measures and ABAC Principles on Non-Tariff Barriers to existing and new measures affecting digitally delivered services;
- Commit to a **permanent E-Commerce Moratorium**, and to **participation in the WTO E-Commerce Agreement**, including supporting the latter’s integration into the WTO rulebook, to promote coherence of international standards, norms and trade rules for digital services;
- Establish **targets for further reforms** by an agreed date, including:
  - reducing the current APEC economy scores in the APEC Index for all digitally deliverable services sectors;
  - raising the growth rate for digitally delivered services in every economy; and
  - achieving a higher degree of participation by MSMEs, women and Indigenous entrepreneurs in digitally delivered services trade.

### Priority 3: Facilitate trade and enable inclusion

- **Share best practices** and consult with relevant stakeholders with a view to establishing tailored, fit-for-purpose support for more successful participation in digitally delivered services trade by MSMEs, women and Indigenous entrepreneurs;
- Commit to establish **Digital Regulatory Impact Assessments** which specifically cover trade and investment impacts for new regulatory measures affecting digitally delivered services to support approaches that meet local needs, enhance consistency and cross-border interoperability, and leverage the knowledge of businesses in an increasingly digitalised and data-driven environment;
- Establish a user-friendly “**services regulatory finder tool**” for digitally delivered services, to tackle knowledge and awareness gaps and facilitate wider participation by MSMEs and other groups.

# A New Services Agenda for APEC

## Report

### Introduction

Services are the cornerstone of all APEC economies, generating close to two-thirds of the region's GDP, responsible for a large share of employment and serving as the fundamental glue that binds together today's deeply interconnected world.<sup>1</sup> Services – and in particular, trade in services – keep the global economy running: they enable flows of capital, people, goods and data; act as the connectors and facilitators of trade and global value chains; supply the critical backbone for business operations; create new opportunities for firms to spin innovative offerings out of manufacturing and even agriculture; are increasingly embodied and embedded in knowledge-intensive physical goods; and can help unlock solutions to major collective challenges, including climate change.

Services also play a crucial role in inclusion. They do this by creating more accessible entry-points into economic activity for micro-, small and medium-sized enterprises (MSMEs), women and Indigenous entrepreneurs, along with other groups with untapped economic potential. Access to imports of competitive services, and participation in the exporting of services, can allow these groups to leapfrog structural impediments and traditional trade barriers to connect more efficiently and effectively with customers, make gains in productivity and innovation, improve their access to financing, and scale more easily.<sup>2</sup> These benefits accrue in both the domestic economy and in international trade, with positive spillovers for growth and sustainable development.

APEC has a long history of innovative and influential approaches to policymaking in services. The current APEC Services Competitiveness Roadmap was launched in 2016 and reaches its end-point in 2025. Developed at a time when progress in global services trade rulemaking had largely stalled, the Roadmap was designed to achieve increased openness, competitiveness and high-quality growth in the region. The current juncture represents an important opportunity to take stock of a decade of work towards the Roadmap goals. Equally critically, the end of the Roadmap offers APEC economies the chance to revisit, and (as this report argues) to recalibrate, approaches to services trade in an increasingly disrupted, services-led and data-driven world.

This report is organised as follows:

- **Part One** explores the current regional and global context for the APEC services sector;
- **Part Two** reviews the progress that APEC economies have made towards the goals of the Roadmap through a 'business' lens;
- **Part Three** explores the benefits of and barriers to digitally delivered services; and
- **Part Four** makes the case for a "New Services Agenda" which focuses on liberalising, facilitating and broadening participation in digitally deliverable services trade.

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<sup>1</sup> StatsAPEC: in 2023, the share of services as a percentage of employment on average across APEC was 55%, but varied widely across economies (from 36% to 86%). Shares of services value-add in GDP in 2023 ranged from 39% to 92% across APEC economies. Shares of commercial services trade as a share of GDP ranged from 5.2% to 124.2%, with an average across APEC economies of 8.4%. Total APEC exports of commercial services were USD\$2.71 trillion; total APEC imports of commercial services were USD\$2.73 trillion. See <https://statistics.apec.org/explore-by-indicator?db=kid>

<sup>2</sup> See, for example, University of Southern California Marshall School of Business, *The New MSME Economy: Post-Pandemic Drivers for Growth*, report for ABAC, October 2022; and APEC GOS (Mia Mikic et. al), 'Gender and Services Trade in the APEC Region: Policy Brief', September 2023



## Part One: The regional and global context for the APEC services sector

The last five years have been characterised by **persistent turbulence and uncertainty** in the trade and economic environment. The region has seen ongoing disruptions to trade and supply chains sparked by the COVID-19 pandemic; rising protectionism; and the fragmentation of markets, regulatory approaches and standards, prompted by evolving public policy objectives and intensifying non-trade concerns. These trends have tested both overall economic growth and the resilience of services trade.

This **disrupted operating environment seems set to continue**. While the WTO has previously referred to services as the “bright spot” of international trade, the WTO’s July 2025 *Trade Monitoring Update* observes that, although not directly hit by new tariffs, services trade is expected to be adversely affected by slowing goods trade and rising policy uncertainty, with consequences for growth. The WTO’s baseline projections were for a 5.1% increase in services trade in 2025 and 4.8% in 2026; those forecasts have now been scaled back to 4.0% in 2025 and 4.1% in 2026 respectively.<sup>3</sup> Other analyses suggest that there may be increased demand for some services, not least to respond to these disruptions. Either way, it is clear that policymakers and regulators will have good reason to prioritise approaches that shore up the resilience of, and seek to lower costs in, services trade.

The last five years has also been a time of unprecedented **digital transformation**. The digital economy is the fastest-expanding sector in the global economy, with a forecast annual growth rate of up to 12% and expectations that it will account for more than two-thirds of new value creation over the next decade.<sup>4</sup> Trade, too, is increasingly digitalised: “digital trade” makes up at least one-quarter of total trade, and well over half of all services trade.<sup>5</sup> Any refreshed approach to services must take this digital transformation into account.

Relatedly, **artificial intelligence (AI)** is also widely expected to have a transformative impact on economic activity and trade.<sup>6</sup> Respondents to the PECC State of the Region Survey for 2024-25 identified “Addressing rapid technological change and AI” as one of the top five priorities for APEC Leaders’ discussions.<sup>7</sup> While the impact of AI may ultimately vary across sectors and economies, officials and regulators are increasingly focused on ensuring trustworthy, responsible and secure AI and at the same time seeking to leverage the potential gains that AI offers for productivity, efficiency and innovation. Without a coordinated approach across APEC, the region may see increasing regulatory heterogeneity and the rising trade costs that accompany this.

Lastly, it should be noted that **globally, the last decade has been a mixed bag for services**. While global services trade has grown on average by 6.8% a year since 1990, the COVID-19 pandemic significantly interrupted this trajectory, triggering a 17% decline in overall exports in 2020 and particularly steep drops in some sectors (travel down by 62%, transportation by 16%). Exports have since rebounded and reached USD\$8.7 trillion in 2024, well above the 2019 level of USD\$6.3 trillion.<sup>8</sup> The most notable trend, however, has been the unprecedented growth in digitally delivered services, both in absolute terms and relative to goods and other services trade, as Figure 1 shows. Trade in

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<sup>3</sup> WTO Trade Monitoring Update: Latest Trends, mid-October 2024 to mid-May 2025’, 3 July 2025, at [https://www.wto.org/english/news\\_e/news25\\_e/trdev\\_03jul25\\_e.pdf](https://www.wto.org/english/news_e/news25_e/trdev_03jul25_e.pdf)

<sup>4</sup> UNCTAD, *World Investment Report 2025*, page 171

<sup>5</sup> OECD (2023), *Key Issues in Digital Trade*, October 2023, [https://www.oecd.org/en/publications/key-issues-in-digital-trade-review\\_b2a9c4b1-en.html](https://www.oecd.org/en/publications/key-issues-in-digital-trade-review_b2a9c4b1-en.html)

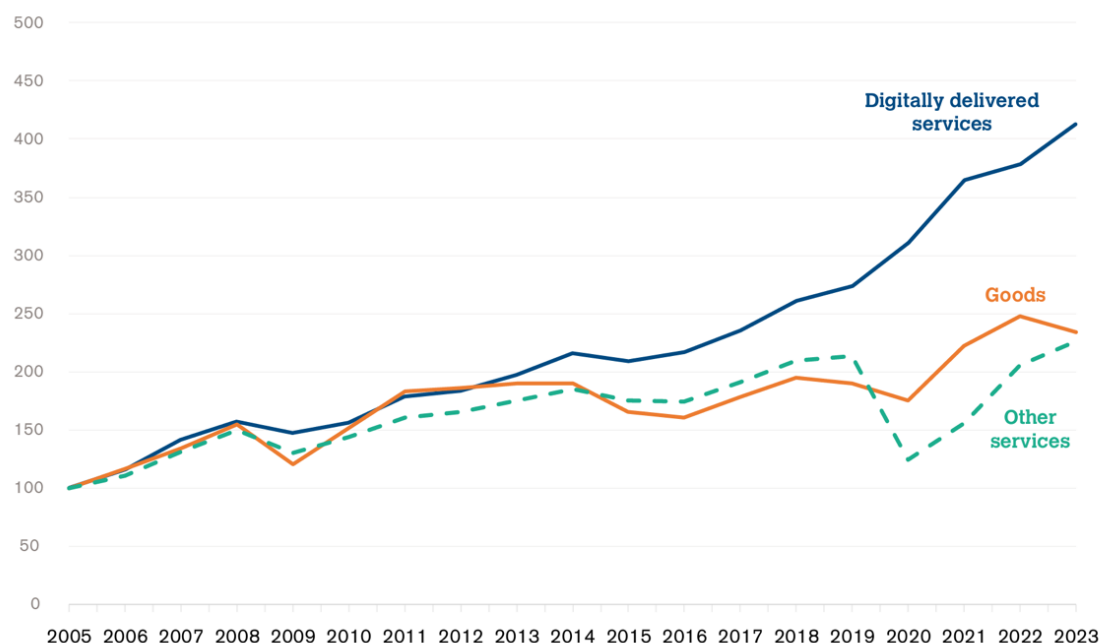
<sup>6</sup> WTO (2024), *Trading with Intelligence: How AI shapes and is shaped by international trade*, [https://www.wto.org/english/res\\_e/publications\\_e/trading\\_with\\_intelligence\\_e.htm](https://www.wto.org/english/res_e/publications_e/trading_with_intelligence_e.htm).

<sup>7</sup> PECC, State of the Region Survey 2024-25, <https://www.pecc.org/resources/regional-cooperation/2766-state-of-the-region-2024-2025/file>

<sup>8</sup> World Trade in Commercial Services dataset (accessed 28 June 2025)

digitally delivered services leapt by 14% in 2020, 18% in 2021, and by around 8% per annum over the last two years. It now accounts for 54% of all services exports worldwide.<sup>9</sup>

**Figure 1: Global exports of goods, services and digitally delivered services, 2005-2023**



Source: WTO, *Global Trade Outlook and Statistics*, April 2024 (WTO data estimates)

## CASE STUDY

***“Innovation and trade are not just about big business: small business imagination and agility can deliver big efficiency gains – while reducing the carbon footprint.”***

**Peter Geoghegan, Principal, Geotron Engineering Consultants**, a company founded in the same year APEC initiated its work on services competitiveness, says clients need innovative yet practical solutions and structural and civil engineers need closer collaboration across the built environment sector. Among other awards, Geotron’s innovative solution Gmetrik won Consult Australia’s “Planning for a Digital Future Award” in 2023.

Gmetrik is a digital web-based platform that dismantles professional silos and addresses the disconnects that plague construction projects at the early procurement stage. Live data from the supply chain is fed into Gmetrik’s user-friendly collaborative platform so that engineers, architects, project managers and clients can make design decisions based on real-time costs. Importantly, the platform includes collection of data about the carbon impact of materials, enabling better informed design decision-making to reduce the carbon footprint.

Geotron has found that services competitiveness, no matter the size of the company, is largely a function of access to talent and skills, access to finance, access to data and digital infrastructure, an enabling regulatory environment and openness to trade, investment and cross-border data flows. Compliance with standards goes without saying. The all-important ingredient for entrepreneurial services innovation is collaboration and partnership with universities and the R&D community, including internationally. This isn’t a new message for APEC: results require persistent and dedicated government action.

<sup>9</sup> WTO (2024), *World Trade Report 2024*, [https://www.wto.org/english/res\\_e/booksp\\_e/wtr24\\_e/wtr24\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/wtr24_e/wtr24_e.pdf); and OECD (2023), *Key Issues in Digital Trade*, October 2023, [https://www.oecd.org/en/publications/key-issues-in-digital-trade-review\\_b2a9c4b1-en.html](https://www.oecd.org/en/publications/key-issues-in-digital-trade-review_b2a9c4b1-en.html)



## Part Two: The APEC Services Competitiveness Roadmap

In 2016, APEC Economic Leaders adopted the APEC Services Competitiveness Roadmap and an accompanying Implementation Plan. The Roadmap committed APEC economies to pursue three overarching targets by 2025, aimed at enhancing the competitiveness of the services sector and addressing factors that were constraining growth, while also taking account of the different economic and social circumstances across APEC economies. The targets are set out in Box 1.

### Box 1: APEC Services Competitiveness Roadmap: Targets

**Target 1:** Ensuring an open and predictable environment for access to services markets by progressively reducing restrictions to services trade and investment.

**Target 2:** Increasing the share of services exports from APEC economies in total world services exports so that it exceeds the current share in world services exports by 2025.

**Target 3:** Increasing trade in services in the APEC region so that by 2025, the compound annual average growth rate exceeds the historic average of 6.8 percent; and the share of value-added of the services sector in the total GDP of the APEC region exceeds the global average level.

In the corresponding Implementation Plan, APEC economies agreed 19 APEC-wide actions as well as actions at the individual economy level. These actions spanned inclusion in global value chains, cross-border mobility, regulatory quality, innovation, information and communications infrastructure and connectivity, human capital, services measurement and statistics, and actions in respect of a number of individual sectors, including environmental services, manufacturing-related services, education, ICT services, financial services, transportation, tourism, food and energy services.

### 2.1 Assessing progress against the Roadmap targets: Business perspectives

This report does not attempt to provide a comprehensive account of APEC's performance across the Roadmap targets and specific actions, including those undertaken by individual APEC economies: such an assessment is already underway by the APEC Policy Support Unit, which will undoubtedly cover the ground very well. A detailed assessment at the halfway point was also provided in the APEC Business Advisory Council's report on the Mid-Term Review.<sup>10</sup> Instead, the report will comment through the business lens on progress towards the targets overall, and what this implies for the evolving APEC services environment from the business perspective.

#### *Assessment of Target 1: Ensuring an open and predictable environment for access to services markets by progressively reducing restrictions to services trade and investment.*

In its 2021 Mid-Term Review Report, ABAC noted that APEC economies had made significant progress towards Target 1, but cautioned that, beneath the positive headline, reform at the more granular level had been patchy: regulatory transparency was incomplete; there were multiple business concerns; and many new restrictions had also been introduced since 2015.

#### *"An open environment"*

While there has been further progress in reducing restrictions since that Mid-Term Review, the overall picture remains mixed in respect of openness. This can be assessed by looking at the OECD

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<sup>10</sup> Jane Drake-Brockman for ABAC, '2021 Mid-Term Review: APEC Services Competitiveness Roadmap 2016-2025: Business Assessment of Outcomes and Recommended Roadmap Adjustments: Research Report for the Services Taskforce', April 2021; [https://www2.abaconline.org/assets/ABAC\\_Contribution\\_to\\_MTR\\_ASCR.pdf](https://www2.abaconline.org/assets/ABAC_Contribution_to_MTR_ASCR.pdf)

Services Trade Restrictiveness Index (OECD STRI), as well as the APEC Index for the Measurement of the Regulatory Environment for Services (the APEC Index), the latter in fact one of the key deliverables from the Roadmap, which builds on the OECD STRI.<sup>11</sup> In both Indexes, zero means least restrictive, and one means most restrictive. Note that in both cases, the dataset across APEC economies (and in some cases, historically for sectors) is incomplete. The OECD STRI includes 17 economies, but does not include Brunei Darussalam; Papua New Guinea; Hong Kong, China; and Chinese Taipei. The APEC Index includes 18 economies, not including Brunei Darussalam; China; and Hong Kong, China due to data unavailability. The author was unable to access the historic data series under the APEC Index, hence the use of both Indexes below.

The average for the 17 APEC economies in the OECD STRI declined between 2016 and 2024 from 0.258 to 0.251.<sup>12</sup> According to the STRI, only nine economies were able to achieve reductions in their average restrictiveness score, and seven economies saw an *increase* between 2016 and 2024. Only six economies in 2024 had overall scores of lower than the OECD average.<sup>13</sup> This suggests that, while overall efforts have been commendable, outcomes are variable and there is still work to be done to lower all economies' restrictiveness scores in the future. For business, this means that in practice, it may still be challenging to operate in some markets.

On sub-sectoral progress, the APEC Index suggests that there have similarly been improvements in restrictions, but these are modest on the whole. Figure 2 below shows the restrictiveness levels as measured in the APEC Index in 2021 across 18 sectors, at the mid-point of the Roadmap. Figure 3 gives the average sectoral levels in 2024 across 22 sectors. Restrictiveness has generally reduced: in 2021, the range was between 0.5 and 0.3; by 2024, the range had dropped to between 0.41 and 0.195, with an average across sectors of 0.287. However, a comparison with historic levels via the OECD STRI suggests that this liberalisation since the Mid-Term Review has mainly consisted of rolling back measures introduced during the pandemic. Overall reductions since 2016 have in fact been quite small.

The most restrictive sub-sectors in 2024 were rail freight transport, air transport, legal and accounting services, broadcasting and postal and courier services. The least restrictive sub-sectors in 2024 were sound recording, computer services and motion picture services, closely followed by road freight transport, distribution, engineering, construction and logistics freight forwarding – see Figure 3 for the full sectoral picture. These relative positions have not changed significantly over the period.

Positively, in this context, there were reductions between 2021 and 2024 in respect of key sectors which enable or facilitate other kinds of economic activity and trade, including logistics-related services (logistics freight forwarding, logistics cargo-handling, logistics storage and warehouse, maritime transport, road freight transport, air transport and courier services) and telecommunications, a key digital economy enabler, with the latter dropping substantially from around 0.4 in 2021 to 0.29 in 2024.<sup>14</sup> However, as noted above, these seem mostly likely to be a scaling back of new restrictions that were introduced in response to the pandemic. The overall levels of reduction relative to 2016 remain small.

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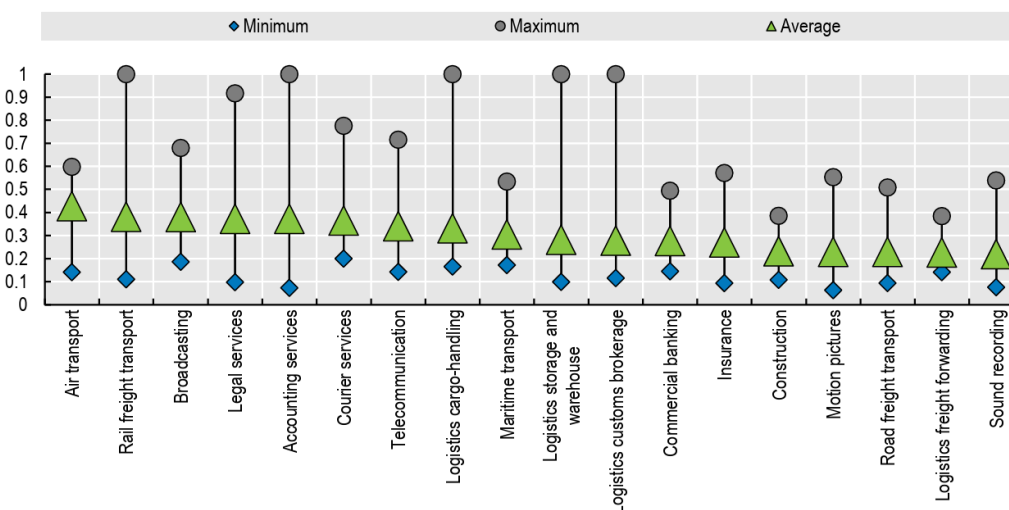
<sup>11</sup> OECD STRI, see <https://www.oecd.org/en/topics/sub-issues/services-trade-restrictiveness-index.html>. On the APEC Index, pilot work commenced in late 2020 and by 2023 all APEC economies were included in the collection of data for the index. See <https://www.apecservicesindex.org/> and [https://sim.oecd.org/Default.ashx?lang=En&ds=STRI\\_APEC](https://sim.oecd.org/Default.ashx?lang=En&ds=STRI_APEC)

<sup>12</sup> OECD STRI, accessed 1 July 2025. APEC economies not included in the STRI are Brunei Darussalam; Hong Kong, China; <https://www.oecd.org/en/topics/sub-issues/services-trade-restrictiveness-index.html>

<sup>13</sup> OECD STRI, accessed 1 July 2025.

<sup>14</sup> APEC Index for Measuring the Regulatory Environment for Services Trade, accessed 7 July 2025, compared to OECD and APEC Group on Services, 'The APEC Index for Measuring the Regulatory Environment for Services Trade in the APEC Region: Summary Findings for Additional APEC Economies', 2023

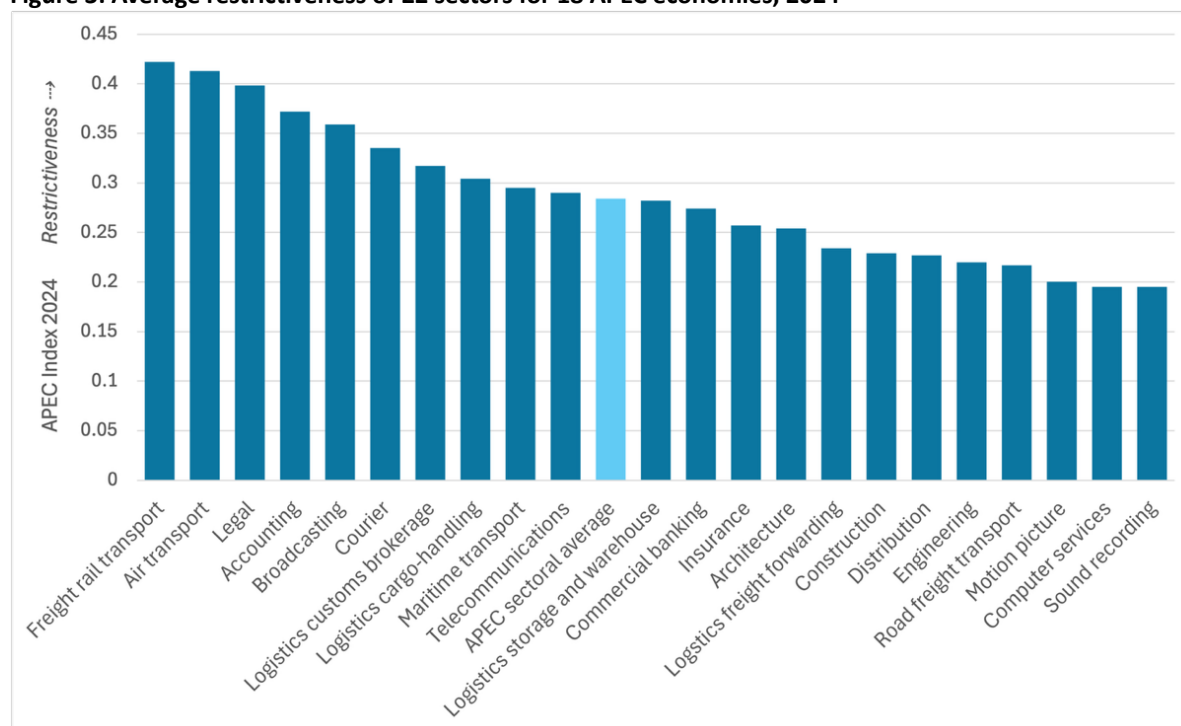
**Figure 2: Average, Minimum and Maximum APEC Index values across 18 sectors, 2021**



Note: The APEC Index takes values between zero and one, one being the most restrictive..

Source: OECD and APEC Group on Services, 'The APEC Index for Measuring the Regulatory Environment for Services Trade in the APEC Region: Summary Findings for Additional APEC Economies', 2023

**Figure 3: Average restrictiveness of 22 sectors for 18 APEC economies, 2024**



Source: For 2024 figures, APEC Index to Measure the Regulatory Environment for Services Trade, accessed 7 July 2025; for 2021 figures, OECD/GOS 'The APEC Index for Measuring the Regulatory Environment for Services Trade in the APEC Region: Summary Findings for Additional APEC Economies', 2023. Note that data is incomplete in both cases (both sectorally and by economy), and a direct comparison is accordingly not accurate; the above mapping is for illustrative purposes only. The 2021 figures cover only 14 sectors, and as at 2024 the Index only includes 16 APEC economies: Australia, Canada, Chile, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Peru, Philippines, Russia, Singapore, Thailand, United States, Viet Nam. It does not include Brunei Darussalam; China; Hong Kong, China; Papua New Guinea; Chinese Taipei

Of particular concern, the environment for digital services trade has seen a significant increase in restrictiveness over the last decade. This can be illustrated by examining the scores of the 18 APEC

economies covered by another index, the OECD Digital Services Trade Restrictiveness Index (DSTRI).<sup>15</sup> Between 2016 and 2024, average scores for the 18 APEC economies in the Index rose from 0.1411 to 0.1628 (where zero is the least restrictive, and one the most restrictive). This is discussed further in the next section, but is of concern in relation to the growth (and potential future growth) in digitally delivered services.

In terms of the composition of restrictive measures for services in general, the APEC Index breaks down the scores into five categories: restrictions on foreign entry (including, for example, commercial presence requirements, foreign equity restrictions, screening requirements and others); restrictions to movement of people (including in respect of licensing requirements and recognition of qualifications, for example); other discriminatory measures (including in respect of nationality requirements, discriminatory procurement policies, fees and others); barriers to competition, and regulatory transparency.

The highest restrictions across sectors are in the categories of ‘restrictions on foreign entry’ and ‘barriers to competition’, although in some sectors, restrictions to movement of people can also be substantial. This is of concern to business: as the case studies in the report indicate, measures such as requirements for local presence can add significantly to the cost of business models, and may not be a good fit with technology-enabled modern business models, such as cross-border cloud computing.

In sum, in terms of openness, reductions have been rather modest, and the levels of restrictiveness are still relatively high in many sectors (including, for some economies in the region, somewhat higher than might have been expected for economies at their level of development globally<sup>16</sup>). As will be discussed further in the next section, it is also a matter of significant concern that restrictions in the area of digital services trade are high and rising.

### *“A predictable environment”*

Besides “openness”, the other dimension of this target is around predictability. Reducing trade restrictions is important for this, but so are transparency, coherence and regulatory convergence. Overall APEC economies and sectors perform strongly on regulatory transparency, with such measures only contributing, on average across sectors, 9.9% of the total restrictiveness score in 2024.<sup>17</sup>

As for other elements, APEC has achieved some major milestones under the APEC Services Competitiveness Roadmap in its work on structural reform, technical regulations, good regulatory practices and mutual recognition initiatives, including the adoption of the APEC Non-Binding Principles on Domestic Regulation of the Services Sector, and dedicated work on knowledge-intensive services and women’s participation in such services and capacity-building for structural reform.<sup>18</sup> These outcomes will make a major difference to the trade costs faced by businesses, and also support planning and investment activity. However, only 16 APEC economies have committed to implementing the similar disciplines agreed in a WTO plurilateral negotiation into their Services Schedules, and only nine have actually done so.<sup>19</sup> Achieving implementation by all APEC economies

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<sup>15</sup> OECD DSTRI. APEC economies not included are Hong Kong, China; Papua New Guinea; and Chinese Taipei. See <https://goingdigital.oecd.org/en/indicator/73>

<sup>16</sup> World Bank (2025), *Services Unbound: Digital Technologies and Policy Reform in East Asia and the Pacific*, page 76. <https://www.worldbank.org/en/region/eap/publication/services-unbound>

<sup>17</sup> APEC Index, accessed on 7 July.

<sup>18</sup> See <https://www.apecservicesindex.org/> and <https://apecservicesr.com/>

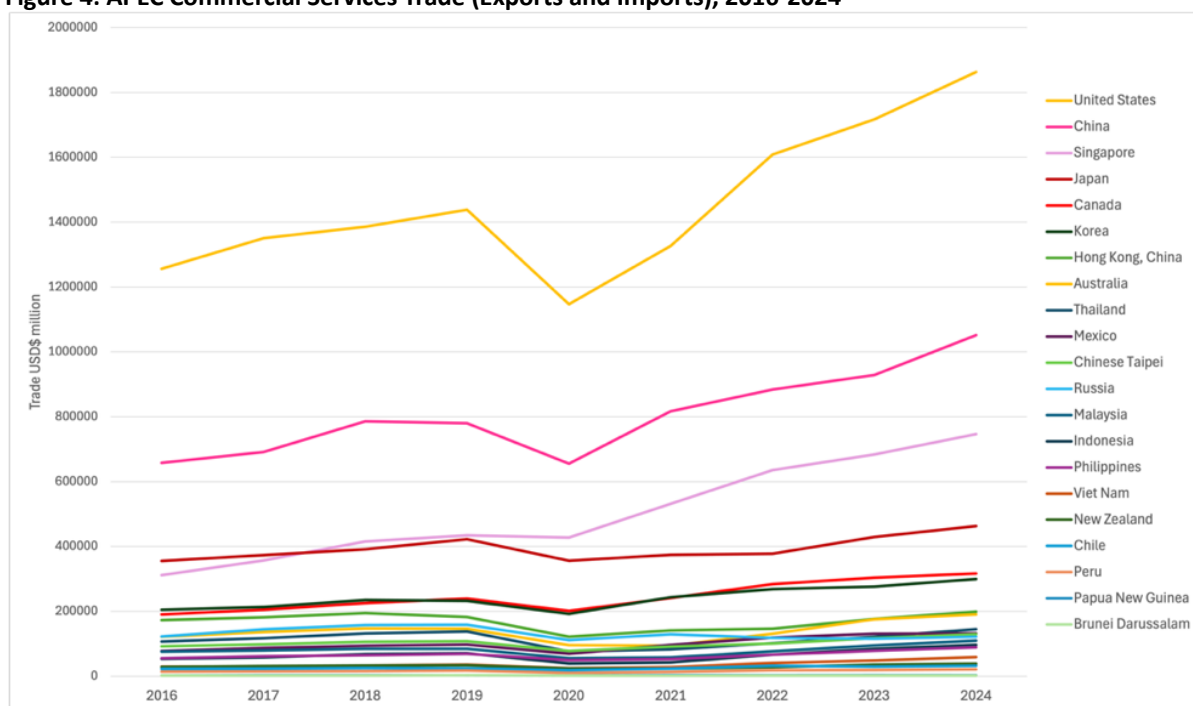
<sup>19</sup> The following APEC economies have committed to implement the WTO disciplines on services domestic regulation: Australia, Canada, Chile, China, Hong Kong China, Japan, Korea, Mexico, New Zealand, Peru, Philippines, Russia, Singapore,

of the WTO Domestic Regulation of Services outcomes would support greater inclusion by fostering a more predictable operating environment. Analysis from the OECD in 2021 found that further streamlining services regulations along the lines of the WTO disciplines could reduce trade costs for APEC businesses by an average of 7% after 3 to 5 years.<sup>20</sup>

**Assessment of Target 2: Increasing the share of services exports from APEC economies in total world services exports so that it exceeds the current share in world services exports by 2025.**

As noted above, commercial services trade experienced a significant dip worldwide due to the COVID-19 pandemic, although has since rebounded. APEC has mirrored this general trend, increasing its exports steadily from USD\$1.95 trillion in 2016 to \$2.4 trillion in 2019, dipping to \$1.9 trillion in 2020 and rising to \$3.06 trillion in 2024, an overall growth rate of 57% over the period.<sup>21</sup> Within those headline figures, the United States was the largest services trader (exporter and importer) by a significant margin, accounting for over one-third of APEC’s services trade, followed by China, Singapore, Japan, Canada, Korea and Hong Kong, China – see Figure 4.

**Figure 4: APEC Commercial Services Trade (Exports and Imports), 2016-2024**



Source: WTO, Trade in Commercial Services dataset, accessed 24 June 2025. *Note that economies are listed in the legend in order of trade shares, rather than alphabetical order as is the APEC convention, for ease of understanding.*

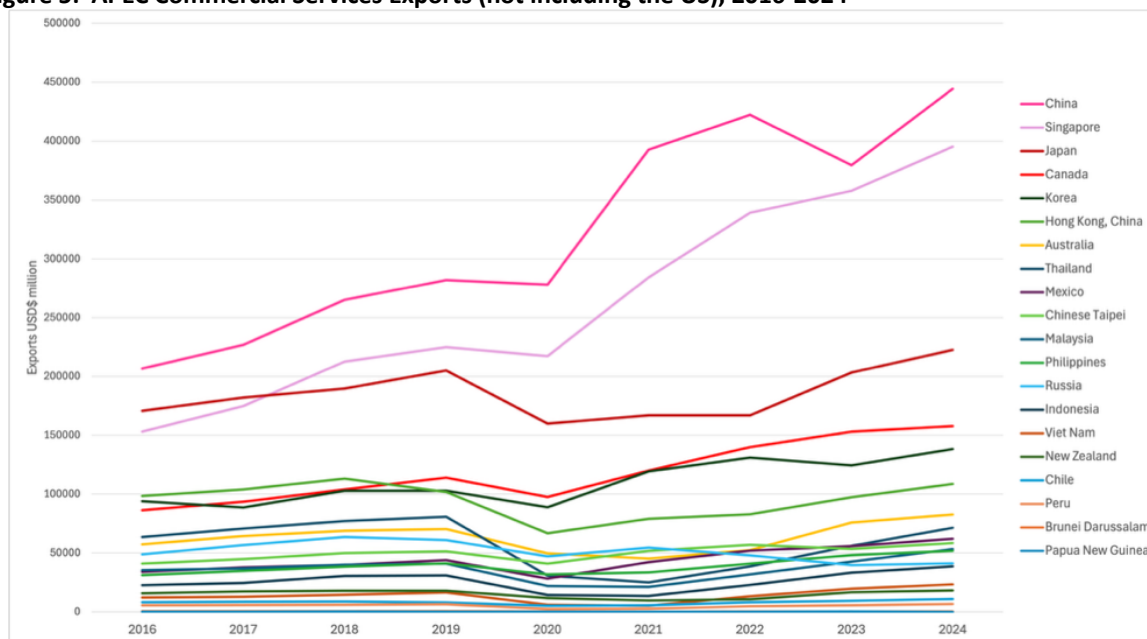
A middle group of economies, including Australia, Thailand, Mexico, Chinese Taipei, Malaysia, the Philippines, Russia and Indonesia, are substantial exporters too (although substantially smaller than the United States and the other leading exporters), while the remaining group of economies are relatively smaller exporters, and have grown at relatively lower rates; this group includes Viet Nam, New Zealand, Chile, Peru, Brunei Darussalam and Papua New Guinea. Figure 5 illustrates these groups in terms of exports, excluding the United States for reasons of scale.

Chinese Taipei, Thailand, United States. Of these, only the following have implemented the services domestic regulation elements in their Schedules: Australia, Canada, Chile, China, Hong Kong China, Korea, New Zealand, Peru, Singapore, United States. See [https://www.wto.org/english/tratop\\_e/serv\\_e/jsdomreg\\_e.htm](https://www.wto.org/english/tratop_e/serv_e/jsdomreg_e.htm)

<sup>20</sup> OECD, ‘Lowering APEC trade costs through services domestic reform’, June 2021

<sup>21</sup> WTO, Trade in Commercial Services database (April 2025 update), accessed 30 June 2025. APEC commercial services exports in 2020 were USD\$1.9 trillion, rising to USD\$3.1 trillion in 2024, while global commercial services exports grew from USD\$5.2 trillion to USD\$8.7 trillion over the same period.

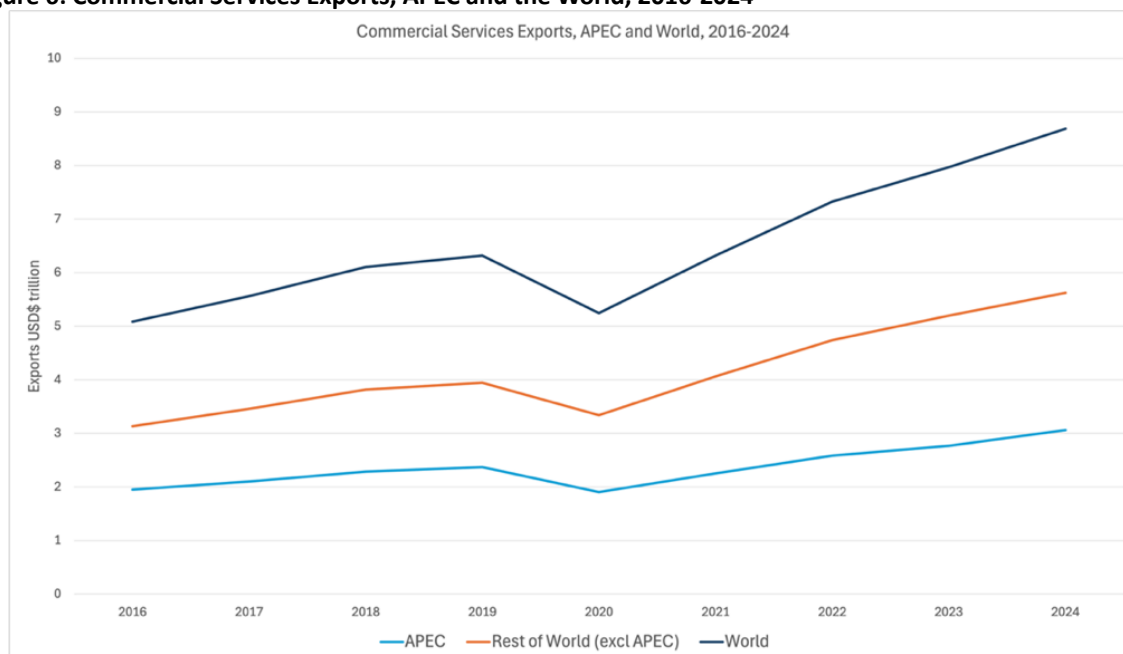
**Figure 5: APEC Commercial Services Exports (not including the US), 2016-2024**



Source: WTO, Trade in Commercial Services dataset, accessed 24 June 2025. *Note that economies are listed in the legend in order of trade shares, rather than alphabetical order as is the APEC convention, for ease of understanding.*

As noted above, APEC’s services exports grew by 57% over the period. However, exports from the rest of the world rose by nearly 80% over the same period, from \$3.13 trillion to \$5.62 trillion – see Figure 6.<sup>22</sup> As a share of global exports, APEC’s share went from 38% of world services exports in 2016 (\$1.95 trillion out of \$5.08 trillion) to 35% (\$3.06 trillion out of \$8.69 trillion) in 2024. In parallel, the ‘rest of the world’ has increased its share of world exports from 62% to 65%. In other words, APEC has not achieved Target 2, and in fact its share in world exports has declined.

**Figure 6: Commercial Services Exports, APEC and the World, 2016-2024**



Source: WTO, Trade in Commercial Services dataset, accessed 24 June 2025

<sup>22</sup> WTO, Trade in Commercial Services database (April 2025 update), accessed 30 June 2025. APEC commercial services exports in 2020 were USD\$1.9 trillion, rising to USD\$3.1 trillion in 2024, while global commercial services exports grew from USD\$5.2 trillion to USD\$8.7 trillion over the same period.



**Assessment of Target 3:** *By 2025, the compound annual average growth rate in APEC exceeds 6.8 percent; and the share of value-added in the total APEC GDP exceeds the global average.*

In terms of the first benchmark in Target 3, compound annual growth, APEC's commercial services trade grew by 5.6% in compound terms over the period. This was below the historical average of 6.8% for the region, the benchmark set in Target 3 – but account should be taken of the impact of the COVID-19 pandemic in the overall trajectory, which would otherwise have been likely to meet the 2025 target.

The other part of Target 3 relates to the share of value-added from services in GDP in APEC relative to the global figure. In 2016, the average share of APEC services value-added as a percentage of GDP was 59.5%; by 2024, the average APEC economy share was 56.1% (with shares across individual APEC economies ranging from 39% to 92% in 2023 – noting however that data is not available for all APEC economies).<sup>23</sup> Globally, services value-add went from 58.3% of GDP in 2016 to 55.9% of GDP in 2024.<sup>24</sup> In other words, although the overall share of services value-added in APEC GDP declined over the period, it is still – just – above the global share: that is, 56.1% in APEC, compared to 55.9% in global GDP.

### 2.3 Overall business takeaways at the conclusion of the ASCR

APEC economies should be commended for making steady progress towards the original goals of the Roadmap, particularly the wide range of initiatives undertaken in specific action areas and by individual economies. The adjustments that APEC economies made to the work in a number of fora, including in response to business recommendations, also reflects a positive degree of responsiveness and agility. However, while progress has been solid, the region as a whole still has some way before it attains the “open and predictable environment” to which it aspired in 2016.

As noted above, achievements against the three overarching targets has been mixed: while there are some very creditable outcomes, including on individual economy actions, there are shortfalls on the reduction of trade barriers overall, and in terms of APEC's relative global performance. The removal of regulatory restrictions has been uneven and generally modest, and in some areas, has even gone backwards. Against the backdrop of a challenging decade for services trade around the world, APEC has not yet been able to achieve the world-leading status that was one of its original goals.

For businesses, opening up access to markets, including by reducing trade costs and enhancing the coherence of regulatory settings, will be critical to enabling wider and more successful participation in trade. In addition, even for businesses focused solely on domestic economic activity rather than cross-border trade, further reforms will enhance their access to the productivity-improving, innovation-enabling services that are so fundamental to modern businesses. Given the increasingly disrupted trade environment that the region is facing, and the central role that services play in economic activity, it will be essential to give new impetus to structural and trade reforms for services.

It is widely recognised that predictability in trade and economic policy settings has a tangible value for business planning, investment and innovation.<sup>25</sup> The frictions in accessing relevant information and in meeting complex regulatory requirements can inhibit or even deter businesses from engaging in services trade, even before considering the impact of the current increased uncertainty in

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<sup>23</sup> World Bank *World Development Indicators*, accessed 4 July 2025. <https://databank.worldbank.org/source/world-development-indicators#>; and APEC Stats.

<sup>24</sup> *Ibid.* <https://databank.worldbank.org/source/world-development-indicators#>

<sup>25</sup> See, for example, Handley, K. and Limão, N., ‘Trade Policy Uncertainty’, National Bureau of Economic Research Working Paper No. 29672, January 2022

markets. Due to their size and lower human resource and technical capabilities, MSMEs bear a disproportionately heavy burden in successfully navigating complicated, opaque and resource-intensive processes for services trade, and in absorbing the compliance costs associated with licensing requirements and other ‘red tape’. The OECD has estimated that trade cost reductions for SMEs could be between two and three percentage points higher than for larger companies: “As barriers to services trade are eased and regulatory cooperation makes tangible progress, SMEs are the first to gain”.<sup>26</sup>

These general insights apply equally to the APEC region. As noted above, APEC generally performs well in terms of regulatory transparency. Similarly, APEC’s 2018 Non-Binding Principles on Services Domestic Regulation have made a significant contribution to regulatory consistency, as has work on capacity-building and good regulatory practices. However, achieving greater predictability by reducing trade restrictions and pursuing more coherent approaches to regulatory settings will continue to be important, including through broader adoption and implementation of the relevant WTO disciplines, and through enhanced transparency and interoperability in respect of digitally delivered services, as will be discussed further below.

#### **BUSINESS VOICE**

##### **Focus on Enhancing Productivity and Inclusivity in Services**

*Devi Ariyani, CEO, Indonesian Services Dialogue* highlights the importance of digital technology adoption for services export performance, and via embedded digital services intermediary inputs, to export of manufactured products such as electrical machinery and equipment. By the time of the APSC Mid Term Review in 2021, digitally delivered services had already reached 60% of Indonesia’s services exports, up from 28% when the APSC was initiated in 2015. And exports of high services intensive electrical equipment had quadrupled. Despite consistent unified business pleas for more APEC attention to competitiveness specifically of digital services, joint action in this area remains insufficient.

Sample surveys in Indonesia show clearly that digital adoption contributes importantly to MSME productivity, growth and export performance and strong female employment opportunities, with MSMEs averaging 60% of their workforce as female. Digital adoption is seen to increase the MSME customer base by over 30 percent and profits 24 percent, with marketing costs dropping 20 percent and logistics costs down 16 percent.

The Indonesian Services Dialogue calls for intensified action to **facilitate digital services market access**, to **accelerate digital technology adoption**, to develop **digital literacy and business skills**, and improve **logistics connectivity and ICT and digital network infrastructure**. A more conducive business environment also needs much greater domestic cross-sectoral alignment across agencies to ensure **regulatory coherence** and enable more **public-private partnership**.

The digitisation of the APEC Business Travel Card has similarly been a positive outcome from the business perspective, and is helping to reduce frictions for Mode 4 services. In its Reports to Leaders in 2024 and in 2025, ABAC has recommended improvements to the relevant administrative processes for the ABTC. Wider APEC participation and support for the integration of the new WTO Investment Facilitation for Development Agreement, as ABAC has also recommended, will also help to support growth in the services sector through smoothing the processes for services-linked investment across markets. (ABAC is also calling for all APEC economies to join and support the integration into the WTO rulebook of the WTO Agreement on E-Commerce – this is discussed further in the next section.)

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<sup>26</sup> OECD, ‘Lowering APEC trade costs through services domestic reform’, June 2021, [https://www.oecd.org/en/publications/lowering-apec-trade-costs-through-services-domestic-regulation-reform\\_4115260d-en.html](https://www.oecd.org/en/publications/lowering-apec-trade-costs-through-services-domestic-regulation-reform_4115260d-en.html)

The observations above are relevant across the board, but particularly germane to continued growth in digital services, despite impressive trajectory of the latter to date. Reducing restrictions on cross-border data flows and storage, on electronic transactions and in respect of other barriers to trade, and enhancing transparency in the ‘black box’ of digital regulation, will be an important enabler for businesses. The increase in APEC members’ DSTRI scores through the period is a significant concern. Much can, and should, be done in this area, as the next section discusses.

## BUSINESS VOICE

### Good Regulatory Practice and a Productivity Mindset contribute to Effective Services Trade Promotion.

**Shaifubahrim Saleh, Board member, Malaysia Venture Capital Management Berhad and Dr Choo Kok Beng, Former Chair, Malaysian Services Providers Confederation** call for a higher performing services sector to catalyse broader economic transformation.

With labour productivity below average in Malaysia’s professional services sector, there is a need to refocus business attention on more rapid digital adoption along with modern management practices to boost operational efficiency. Critical factors include:

**Technology** – investing in emerging technology and accelerating and promoting digitalization;

**Talent** – building a strong pipeline of skilled workers;

and **an enabling Regulatory and Policy Environment**, including adoption of international **Standards** and deliberate **Digital Services Trade Promotion**.

Driving change also requires a **Productivity Mindset** at the enterprise level.

## Part Three: Digitally Delivered Services

The COVID-19 pandemic accelerated a trend towards the digitalisation of services that had been visible as far back as 2005 or even earlier, and one in which the Asia-Pacific region has long been a leading participant.<sup>27</sup> This section of the report discusses the evolution of digitally delivered services and makes the case for these services to be a major focus for APEC for the post-Roadmap period.

### 3.1 ‘Digitally deliverable’ and ‘digitally delivered’ services

International economic institutions have undertaken extensive analytical work over recent years on “digital trade”, including seeking to develop a deeper understanding of the nature of digital services trade. The OECD, WTO, IMF and United Nations have developed a *Handbook on Measuring Digital Trade* (the Handbook) which identifies two important categories of services.<sup>28</sup> These are “digitally *delivered* services”, and “digitally *deliverable* services”. The former are those which are delivered through computer networks (typically the internet), while the latter, a much larger group, encompasses the services which *could* be delivered digitally, but are not *necessarily* supplied that way.

Table 1 sets out the range of services that are digitally deliverable. Over time, the share of these services that are actually delivered digitally is expected to continue to rise.<sup>29</sup> This points to ensuring that policy approaches focus on enabling digitally *deliverable* services, rather than simply digitally

<sup>27</sup> ADB, *Unlocking the Potential of Digital Services Trade in Asia and the Pacific*, November 2022

<sup>28</sup> IMF, OECD, UN and WTO (2023), *Handbook on Measuring Digital Trade, second edition* – see

[https://www.oecd.org/en/publications/2023/07/handbook-on-measuring-digital-trade-second-edition\\_099afd2f.html](https://www.oecd.org/en/publications/2023/07/handbook-on-measuring-digital-trade-second-edition_099afd2f.html)

<sup>29</sup> OECD (2023), ‘Of Bytes and Trade: Quantifying the Impact of Digitalisation on Trade’, OECD Trade Policy Paper No. 273, May 2023. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/05/of-bytes-and-trade-quantifying-the-impact-of-digitalisation-on-trade\\_17cd5677/11889f2a-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/05/of-bytes-and-trade-quantifying-the-impact-of-digitalisation-on-trade_17cd5677/11889f2a-en.pdf)

*delivered* services, as a way to future-proof trade settings – and also avoids some formidable challenges in tracking actual flows of digitally delivered services in trade statistics, and assessing policy effectiveness through that metric.

Digitally delivered services are mainly equivalent to Mode 1 (cross-border trade) of the WTO General Agreement on Trade in Services (GATS), although some can also be consumed abroad (Mode 2) – for example, where a traveller may fall ill and have a local telehealth appointment while overseas. Many of the categories in Table 1 are those where in-person engagement (through Modes 2, 3 or 4) is being replaced with virtual (Mode 1) interaction, and/or where services that may have previously been provided via physical outputs are replaced with digital versions – for example, an electronic document rather than a hard-copy report, or a digital twin rather than an architectural blueprint.<sup>30</sup>

**Table 1: Digitally deliverable services**

Digitally deliverable service category	Comment
Insurance and pension services	Includes digitally enabled services for underwriting, risk pricing, claims management and settlement, marketing and distribution, all underpinned by big data, data analytics and AI;
Financial services	Includes fintech, notably digital payments, which account for a substantial share of overall fintech transaction value in Asia in particular <sup>31</sup> ;
Charges for the use of intellectual property not included elsewhere	Includes payments for the authorised use of proprietary rights such as payments, trademarks, copyright, industrial processes and designs, and for the use through licensing of originals or prototypes
Telecommunications, computer and information services (ICT)	Includes inherently digital services, such as software downloads, cloud computing, AI, digital communications services and datasets (when traded as products), as well as the internet itself, mobile telephony, predictive analytics and software
<p>“Other Business Services”</p> <ul style="list-style-type: none"> <li>• Research and development</li> <li>• Professional and management consulting</li> <li>• Technical and trade-related services</li> <li>• Other business services not elsewhere specified</li> </ul>	In the Other Business Services category, many common services that act as enablers of economic activity are increasingly delivered digitally. These include ‘business process outsourcing’ (BPOs) such as call centres, knowledge process operations and business process management, as well as digitally-delivered R&D services, legal, accounting, advertising and management consulting services, architectural, engineering, scientific and other technical services; and trade-related services which may include the fees paid for intermediation services provided by e-commerce platforms).
Audiovisual and related services	May include streaming, interactive media and online gaming (unless covered in ICT services). Also includes creative industries, education and health services, all of which can be delivered through virtual channels, including streaming services, online education and telehealth.
Health services	
Education services	
Heritage and recreational services	

Source: IMF, OECD, UN and WTO *Handbook on Measuring Digital Trade*, second edition; examples taken from pages 30-31 of Asian Development Bank (2022), *Unlocking the Potential of Digital Services Trade in Asia and the Pacific*, <https://www.adb.org/sites/default/files/publication/842321/digital-services-trade-asia-pacific.pdf>

However, modern businesses do not necessarily supply services via a single mode – for example, a business may have a product in which it supplies a combination of both cross-border digitally-delivered services (Mode 1) as well as in-person services (Mode 4 – movement of natural persons), or may

<sup>30</sup> OECD et al., *Handbook second edition*, pages 69-70.

<sup>31</sup> ADB (2022), page 30

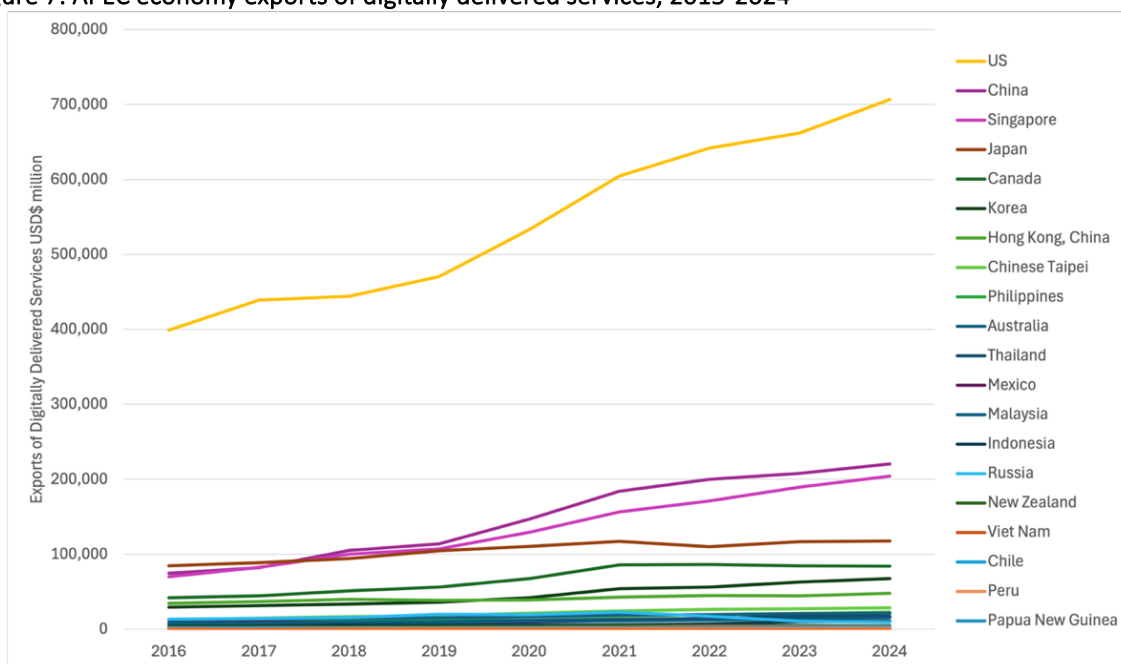
deliver services cross-border to supplement those provided via commercial presence (Mode 3).<sup>32</sup> This means that, even where there is a focus on digitally delivered services, it will be important for APEC to continue to reduce restrictions across all five categories in the APEC Index, including those relating to foreign entry, movement of natural persons and competition, to enable businesses to continue to develop innovative and agile business models that are responsive to consumer preferences.

### 3.2 The rise of digitally delivered services in APEC

Digitally delivered services trade is booming. Global exports of digitally delivered services reached USD\$4.64 trillion in 2024, up by 8.3% year-on-year, accounting for 54% of commercial services trade and 14.5% of combined world exports of goods and services.<sup>33</sup>

APEC economies contributed a significant share of this trade; taken as a single entity, APEC ranks second to the global frontrunner in this sector, the European Union, with USD\$1.6 trillion in digitally delivered services exports in 2024, compared to the EU’s USD\$1.9 trillion. As Figure 7 shows, APEC economy exporters of digitally delivered services have seen strong growth, particularly since the pandemic. However, notwithstanding this strong performance, APEC’s share of digitally delivered services in total commercial services exports is slightly lower than the global figure, at 52% compared to 54% globally.<sup>34</sup>

Figure 7: APEC economy exports of digitally delivered services, 2015-2024



Source: WTO Digitally-Delivered Services dataset (April 2025 update), accessed 4 June 2025

Figure 8 gives a snapshot of APEC exports by economy in 2024 (excluding the United States, for scale). Of the top 5 APEC economy exporters, the US is by far the largest (USD\$707 billion in 2024), with growth of 7% year-on-year, followed by China (USD\$220 billion and 6% growth); Singapore (USD\$204 billion); Japan (USD\$118 billion) and Canada (USD\$84 billion). Even where the absolute value of exports may be small, year-on-year growth rates can be notable – for example, 11% for

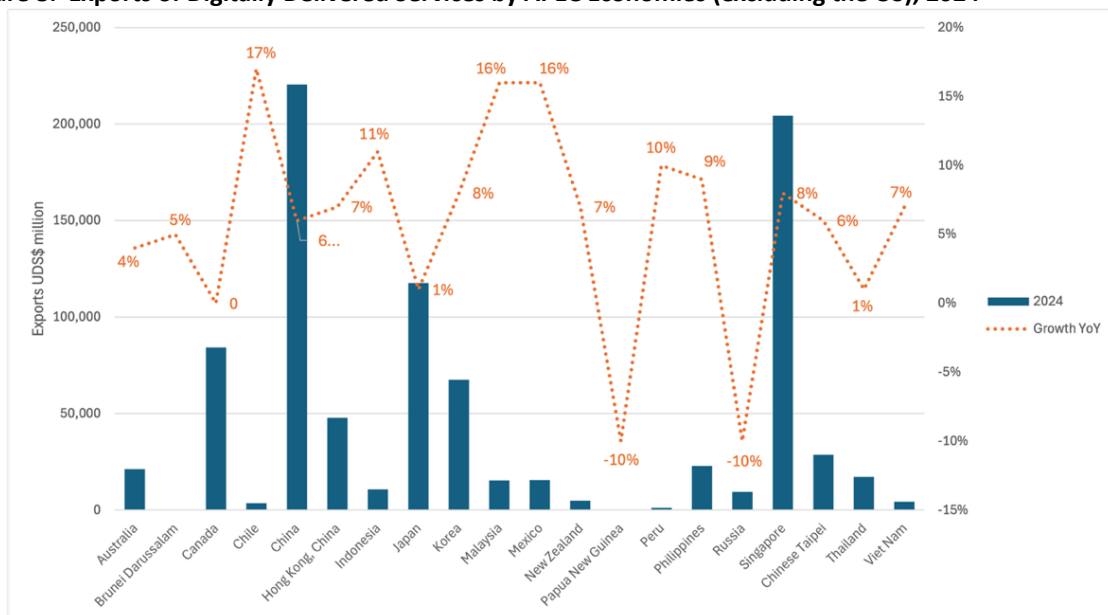
<sup>32</sup> López González, J., Sorescu, S. and Del Giovane, C. (2024), ‘Making the most out of digital trade in the United Kingdom’, OECD Trade Policy Papers No. 285, page 10.

<sup>33</sup> WTO (2025), *Global Trade Outlook and Statistics*, April 2025, pages 15-16; WTO Digitally-delivered services trade dataset, accessed on 29 June 2025.

<sup>34</sup> WTO Digitally Delivered Services trade dataset (April 2025 Update), accessed 28 June 2025

Indonesia, 16% for Malaysia and Mexico, and 17% for Chile. The average growth across APEC was 6%, although this is lower than the 8.4% global growth rate.

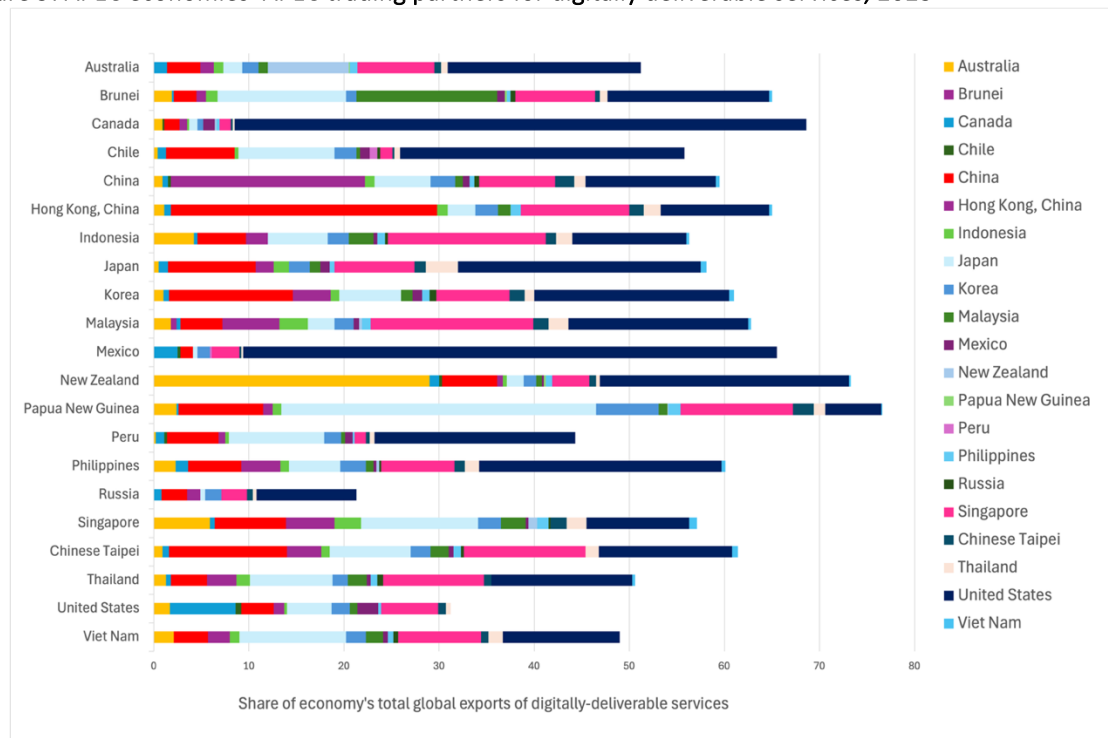
**Figure 8: Exports of Digitally Delivered Services by APEC Economies (excluding the US), 2024**



Source: WTO, Digitally Delivered Services trade dataset (April 2025 Update), accessed 28 June 2025. Orange figures indicate the growth year-on-year.

Intra-APEC trade in digitally deliverable services is also significant, as Figure 9 shows. Typically over half of APEC exports go to APEC partners. A significant outlier is the United States: as the leading exporter of digitally deliverable services, only just over 30% of US exports went to APEC markets.

**Figure 9: APEC economies' APEC trading partners for digitally deliverable services, 2023**



Source: WTO-OECD Balanced Trade in Services database, accessed 29 June 2025; authors' calculations

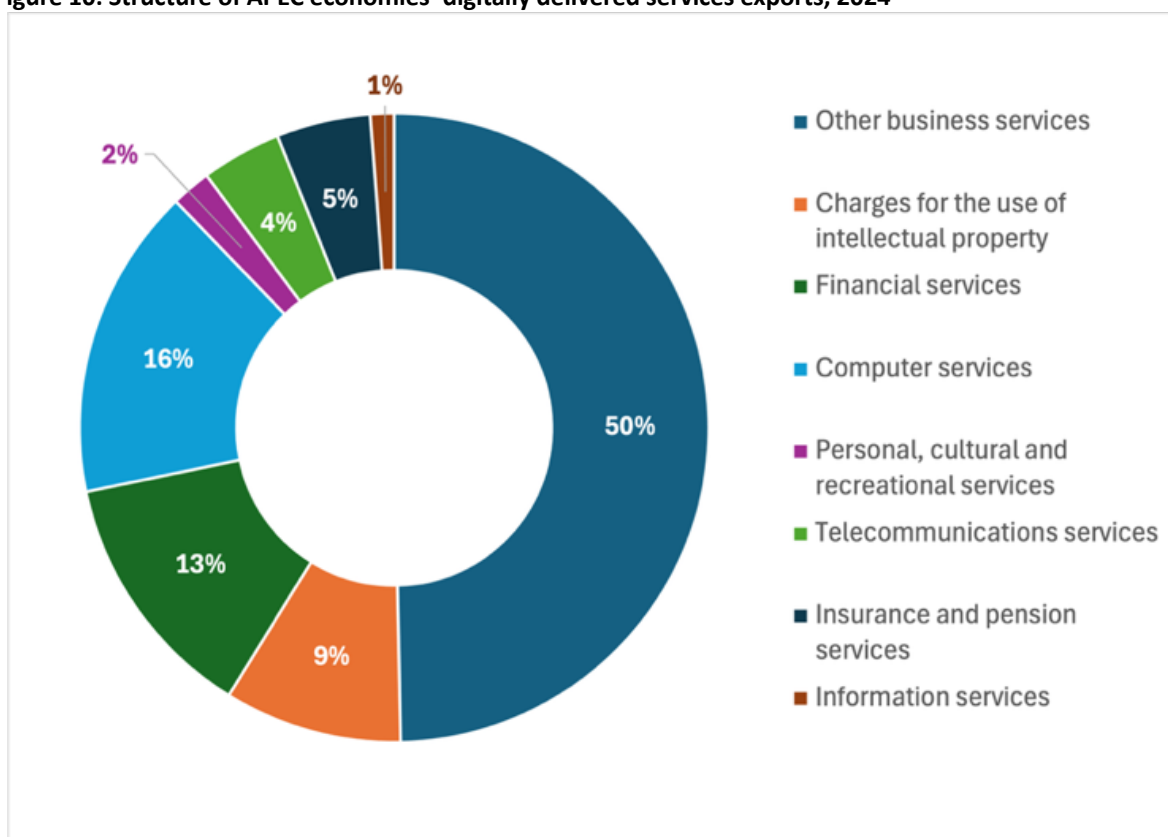
Note: Only Top 40 trading partners are listed in the database, hence table above does not necessarily include all intra-APEC trade where trade volumes may be relatively small.



Looking at the breakdown by services category, fully half of APEC digitally delivered services exports in 2024 were “Other Business Services”, as Figure 10 shows – a larger share than the 40% in global exports.<sup>35</sup> By contrast, APEC shares of computer services and financial services were smaller than global shares (respectively, 21.2% of all global computer services exports compared to only 16% of APEC, 16.7% for global financial services exports compared to only 13% for APEC).

This breakdown, combined with the information above from the Roadmap performance across sectors, and the information explored further below in relation to the nature of barriers to trade in digitally delivered services, provides a useful insight into sectors where APEC policymakers and regulators could focus reform efforts: there is still room for further reforms in Other Business Services, including legal, accounting, advertising and management consulting services, architectural, engineering, scientific, technical and trade-related services (recognising that some of these still score highly on the APEC Index); but also to increase APEC economies’ performance on the key enabling ‘infrastructure’ services of computer services and financial services, where the region is underperforming relative to global levels.

**Figure 10: Structure of APEC economies’ digitally delivered services exports, 2024**



Source: WTO, Digitally Delivered Services dataset, accessed 23 June 2025

<sup>35</sup> Recall that this category includes professional services, technical and trade-related services, and research and development services, including legal, accounting, consulting and advertising services, architectural, engineering, scientific and other technical services, and trade-related services (which includes the fees paid for intermediation services provided by e-commerce platforms).

### 3.3 The benefits of digitally delivered services

Digitally delivered services offer a range of strategic benefits to APEC economies, including serving as:

- a driver of economy-wide digitalisation and resilient economic growth;
- a channel for and enabler of AI integration;
- a tool for greater sustainability;
- and a catalyst for more inclusive growth.

#### *Digitally delivered services as a driver of resilient and innovative economic growth*

Digital technologies are widely recognised as the fundamental driver of the digital revolution and an engine of resilient economic growth and development. There is ample evidence that digital services can increase productivity, foster innovation, increase living standards and boost trade, by reducing production costs, fostering economies of scale and enabling businesses to innovate, diversify and lower trade costs, including in developing economies.<sup>36</sup> Businesses can operate with reduced labour costs, more streamlined operations and greater connectivity: young firms can expand without needing to expand their geographic footprint; established firms can reduce costs and extend their reach. These benefits have served to generate increasing demand for digitally delivered services around the region.

#### **BUSINESS VOICE**

##### **Innovation is the Key Driver of Services Trade**

*James Liu, President, SYSCOM Computer Engineering, Vice Chairman, Cloud Computing & IoT Association and Vice Chairman, Coalition of Services Industry (TWCSI), Chinese Taipei* suggests priorities for fostering an enabling environment for digital transformation and innovation across APEC economies, reducing digital divergence, and improving quality of life for all people.

**1. Encourage policies that facilitate the seamless and trusted flow of data across borders while ensuring the protection of data privacy and security.** This can be achieved by harmonizing data protection regulations among APEC economies and establishing clear guidelines or principles for data sharing, usage, and analysis. By promoting cross-border data flow, businesses can leverage data-driven insights to enhance their operations and innovate more effectively and efficiently.

**2. Support initiatives that promote collaboration in AI research and development among APEC economies, including public-private communication and collaboration.** This includes creating regional platforms for sharing best practices, research findings, and technological advancements. Those platforms can facilitate the exploration of feasible policies to strike a balance between liberalization of digitally enabled/data-based services and regulatory needs. Collaborative efforts can help address common challenges, such as ethical considerations and regulatory frameworks, and drive the development of AI technologies that benefit all people and across economies.

**3. Invest in the development and maintenance of enhanced robust digital infrastructure,** including high-speed internet, cloud computing, and IoT networks. Ensuring that all APEC economies have access to reliable and high-quality digital infrastructure will enable businesses to adopt and integrate advanced technologies, such as AI and IoT, more effectively and affordably. A strong accessible digital infrastructure is essential to the inclusiveness of digital trade. This can lead to increased productivity, innovation, and competitiveness in the regional and global market.

<sup>36</sup> WTO (2023), *Digital Trade for Development*, [https://www.wto.org/english/res\\_e/publications\\_e/dtd2023\\_e.htm](https://www.wto.org/english/res_e/publications_e/dtd2023_e.htm)

The “servicification” of manufacturing (that is, the increasing use of services in complex manufacturing processes), the spinning out of innovative services from and in some cases to replace manufacturing, and the bundling of goods and services into a single offering, have also helped to drive demand for digital services.<sup>37</sup> Enabling competitiveness and trade can help to satisfy this demand, in doing so creating new opportunities for APEC exporters. Digitally delivered services also play a key role in facilitating global value chains (GVCs) of both services and goods. Liberalising the policy environment can have important spillovers for other sectors through these GVC linkages.<sup>38</sup>

The digital transformation of key services sectors – which can themselves be traded digitally – can also have an important multiplier effect on digitally delivered services trade overall. Relevant sectors include education, banking and financial services, which help to build capacity and talent flows, efficiency and competitiveness in the sector. Investment including FDI and venture capital funding also plays an important role in innovation and scale.<sup>39</sup>

### *Digitally delivered services as a channel for and enabler of AI integration*

Artificial intelligence (AI) is increasingly reshaping the global economy and services trade. Itself a digitally delivered service, generative AI is expected to add trillions of dollars in value to the global economy – perhaps up to USD\$4.4 trillion annually – and to “change the anatomy of work”, augmenting the capabilities of workers, bringing data analysts and software programmers into a host of new services sectors, and even reshaping comparative advantage.<sup>40</sup> Digitally delivered services will play a key part in this evolution.

AI has the potential to boost trade by enhancing productivity and reducing trade costs. Using the WTO’s Global Trade Model, under an ‘optimistic scenario’ of universal AI adoption and high productivity growth, global real trade growth is predicted to increase by almost 14 percentage points. Even under a ‘cautious’ scenario, with low AI adoption and productivity, trade could grow by 7 percentage points. Notably, although high-income economies reap the greatest productivity gains, lower-income economies have better potential to reduce trade costs.<sup>41</sup>

While significant productivity gains are forecast across all sectors from manufacturing to mining to agriculture, recent research suggests that the most productive uses of AI will be found in the services sector itself. The sectors with the greatest potential for AI transformation, where more than half of all employment is highly exposed to AI impacts, include financial services, business management, information and communications services, and professional, scientific and technical services – in other words, industries where cognitive and information-intensive tasks are particularly common, and also those which make up a large share of APEC digitally delivered services.<sup>42</sup> There are also important use-cases in services used for the digitally-enabled facilitation of goods trade, such as AI-enabled ‘smart Customs’, which can in turn support greater resilience of supply chains.

Breaking this sectoral picture down further, the highest trade growth resulting from AI adoption is expected in digitally delivered services. In the ‘optimistic scenario’ of universal AI adoption cited above, digitally delivered services are projected to grow by 18 percentage points relative to the baseline scenario. Trade cost reductions are forecast to generate the biggest benefits for sectors

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<sup>37</sup> López González, J. and Ferencz, J. (2018), *Digital Trade and Market Openness*, OECD Trade Policy Papers, No. 271

<sup>38</sup> Ben Shepherd, ‘Services, Digitally Delivered Trade, and Global Value Chains in Asia’, Chapter 4 in Asian Development Bank (2022), *Unlocking the Potential of Digital Services Trade in Asia and the Pacific*

<sup>39</sup> ADB, page 33

<sup>40</sup> McKinsey & Company (2023), ‘The economic potential of generative AI’, June 2023

<sup>41</sup> WTO (2024), *Trading with Intelligence: How AI shapes and is shaped by international trade*,

[https://www.wto.org/english/res\\_e/publications\\_e/trading\\_with\\_intelligence\\_e.htm](https://www.wto.org/english/res_e/publications_e/trading_with_intelligence_e.htm)

<sup>42</sup> WTO (2024), *ibid*

including education, healthcare, recreational and financial services. In effect, AI will enhance the competitiveness of these sectors through gains in productivity and by lowering trade costs.

## BUSINESS VOICE

### Harnessing AI to Power Asia-Pacific's Services Trade

*Darryn Lim, APAC Head of Trade Policy & Competitiveness, Google*, recommends that APEC economies focus on three key areas to realise the potential of AI in services trade: enabling foundational infrastructure; bridging the skills gap; and fostering trust through interoperable governance and standards.

AI is a transformative technology with immense potential to revolutionise services trade across APEC economies. APEC economies are already leveraging AI to enhance a wide array of services, from optimizing logistics and supply chains to improving healthcare diagnostics and personalizing financial services. Micro, small, and medium-sized enterprises (MSMEs), which are crucial to the services sector in many APEC economies, can use AI to expand their reach and boost their productivity. For instance, AI can automate customer service, facilitate cross-border e-commerce by translating product information, and create targeted marketing campaigns, all of which are essential for MSMEs to compete in the global services market.

Realizing the full potential of AI in services trade hinges on its widespread adoption. This requires sustained, multi-stakeholder collaboration among governments, industry, academia, and civil society. APEC, with its diverse membership and practical focus, is uniquely positioned to incubate solutions and best practices that will enable the growth of AI-powered services trade and help achieve an 'open, dynamic, resilient and peaceful Asia-Pacific community' under the Putrajaya Vision 2040.

Lim notes that there are three areas, in particular, that APEC economies can consider focusing on:

1. **Enabling foundational infrastructure:** Cloud computing is the backbone of scalable and cost-effective AI-driven services. APEC governments can lead by example by migrating more public services to the cloud, opening up access to public sector datasets for the development of new services, and supporting AI proof-of-concepts to spur local innovation in the services sector.
2. **Bridging the skills gap:** The adoption of AI in services trade demands a new set of skills, from basic digital literacy to deep technical expertise. APEC can serve as a hub for sharing best practices on national AI skills initiatives, particularly those that prioritize inclusion and address gender disparities in the services workforce.
3. **Foster trust through interoperable governance and standards:** The growth of AI-enabled services trade depends on trust. AI governance frameworks must strike a balance between mitigating risks and fostering innovation in the services sector through a risk-based, proportional approach. On-going APEC work in developing interoperable technical standards and conformance assessments, based on international bodies like ISO, will build trust, reduce fragmentation, and facilitate the cross-border delivery of AI-powered services.

Like other kinds of digitally delivered services, the development and deployment of AI requires access to data (in this case, vast data sets) and compute (very substantial computing power). This means that the regulatory environment for cross-border data flows will be a key determinant of the growth of and innovation in AI. Regulators are also increasingly concerned about AI trustworthiness in terms of reliability, security, privacy, safety and accountability, and there has been a growing focus on standards and regulation around the world, including in relation to cross-border governance of these elements. This is generating a landscape of "fragmented measures and heterogenous domestic initiatives, which may lead to regulatory fragmentation".<sup>43</sup> Coherent, coordinated approaches across APEC economies will support the full realisation of the benefits discussed above.

At the domestic level, APEC economies have a mix of levels of readiness for AI, although this varies not just by economy but also by industry sub-sector. Research by ABAC shows that impediments to

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<sup>43</sup> *Ibid.*, page 8

AI adoption include insufficient digital infrastructure and/or unequal internet access, inadequate skills, regulatory uncertainty related to privacy and security, regulatory capacity, and policy choices for trade and innovation.<sup>44</sup> Again, deeper intra-APEC coordination, knowledge sharing and policy consistency can support improvements in every economy.

### *Digitally delivered services as a tool for green growth and sustainability*

Digitally delivered services are generally less carbon-intensive than agriculture and manufacturing, so a shift towards such services and other forms of ‘intangible’ exports will inherently have a lower carbon footprint.<sup>45</sup> In addition, digitally delivered environmental services represent powerful tools for the green economy transition, whether from carbon accounting tools in supply chains, to real-time emissions tracking, to innovative circular economy solutions. The 2024 COP29 Declaration on Green Digital Action recognises that sustainable digital technologies can accelerate greenhouse gas emissions reductions, energy efficiency, climate monitoring and forecasting. It also emphasises the value of knowledge exchange and fostering international collaboration.<sup>46</sup>

#### **BUSINESS VOICE**

##### **New Services Business Models Can Accelerate the Dual Transitions to Digital and Green**

*Professor Noboru Koshizuka, Chair of Japan’s Data Society Alliance, Weather X Business Consortium and Green X Digital Consortium*, emphasises that “Green” is not only an environmental problem but also an industrial problem, requiring both economic efficiency and new technology, so carbon neutrality and digitalization need to be addressed simultaneously, not separately, in order to deliver economic growth and prosperity.

Technologies such as Blockchain enable digital services such as carbon emissions tracking and carbon reductions visualization throughout the life cycle, which then inform the building of new digital services business models. Adoption of advanced AI applications and machine learning can similarly kickstart creation of new businesses utilizing weather-related data.

IoT, Open Data and AI are opening the way for adoption of new optimization processes at scale, to enable transition for example to smart agriculture, smart cities, smart energy management systems, smart logistics and smart parking.

Right across the manufacturing supply chain, data linkages will be required between digital services solutions for visualizing carbon emissions data. New business models for data-sharing across data spaces are under development.

Meanwhile, AI’s own looming carbon cost is prompting new digital services solutions in “green ICT” and “calm computing” technologies, including photonics-electronics convergence technologies and digital twin computing.

Critical to the emergence and growth of green tech services start ups, is an enabling environment for digital innovation. APEC’s services competitiveness agenda must focus on the acceleration of widespread digital adoption and data-sharing.

The range of digitally deliverable environmental services developed by the technology sector is expanding: remote sensing applications provide deforestation monitoring and biodiversity assessment without field visits; digital twins simulate industrial processes or shipping logistics to optimize resource efficiency; blockchain-based carbon credit platforms enhance transparency while reducing transaction costs; and virtual environmental impact assessments replace site-intensive

<sup>44</sup> ABAC, ‘Artificial Intelligence in APEC: Progress, Preparedness and Priorities’ (2021), and ‘Artificial Intelligence in APEC: Overview of the state of AI in APEC economies and enabling initiatives that will further drive adoption’ (2020).

<sup>45</sup> World Bank (2024), *Services Unbound: Digital technologies and policy reform in East Asia and the Pacific*

<sup>46</sup> <https://cop29.az/en/pages/cop29-declaration-on-green-digital-action>

studies with data-driven modelling.<sup>47</sup> This points to a continuing focus on ensuring that policy and regulatory settings for innovative digitally delivered services remain enabling.

### *Digitally delivered services as a catalyst for more inclusive growth*

The ability to deliver and consume services digitally allows firms to access global markets and productivity improvements more easily, providing unprecedented opportunities for micro-, small and medium-sized enterprises (MSMEs), women and Indigenous entrepreneurs. This element is discussed further in the next section.

## **3.4 The benefits of digitally delivered services for inclusion**

MSMEs, women and Indigenous entrepreneurs stand to benefit disproportionately from digitally delivered services. There is global evidence that digitalisation can create new jobs and higher wage premiums.<sup>48</sup> Digital technologies enable these groups and others with untapped potential to overcome traditional barriers to international trade, including high market entry costs, complex logistics and limited reach.

APEC economies have recognised this core idea through the Roadmap implementation process, with a range of valuable initiatives focused on the participation and empowerment of women in knowledge-intensive, high-skilled and digitally delivered services, women's participation in start-ups and other initiatives, and work on increasing access to trade by Indigenous businesses and entrepreneurs through digitalisation, e-commerce platforms and in specific sectors.<sup>49</sup>

Some of the benefits of digitally delivered services for MSMEs, women and others include<sup>50</sup>:

- Cloud computing and other forms of digitally delivered services provide MSMEs with enterprise-grade infrastructure at low cost, eliminating capital expenditure barriers that can be a stumbling block to global competitiveness.
- Digital marketing services enable greater reach and connectivity;
- Digitally delivered services also enable online collaboration and participation in global value chains through specialised expertise rather than physical presence.

As ABAC has recognised, women have long been underserved in accessing important enablers of services trade such as venture capital financing, patents and jobs in the digital economy.<sup>51</sup> However, women's share of employment in services overall is higher than in manufacturing, and women are relatively more present in some forms of digital trade, such as online marketplaces.<sup>52</sup> The World

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<sup>47</sup> <https://initiatives.weforum.org/digital-transformation/digital-and-climate>

<sup>48</sup> World Bank (2024), *Services Unbound*.

<sup>49</sup> See, for example (among many others), [https://www.apec.org/docs/default-source/publications/2025/5/225\\_cti\\_promoting-women-s-economic-empowerment-through-trade-policy-and-trade-agreements.pdf?sfvrsn=d980f8c5\\_1](https://www.apec.org/docs/default-source/publications/2025/5/225_cti_promoting-women-s-economic-empowerment-through-trade-policy-and-trade-agreements.pdf?sfvrsn=d980f8c5_1); [https://www.apec.org/docs/default-source/publications/2021/11/workshop-on-fostering-inclusive-digital-economy/221\\_desg\\_workshop-on-fostering-inclusive-digital-economy.pdf?sfvrsn=cc5e9096\\_2](https://www.apec.org/docs/default-source/publications/2021/11/workshop-on-fostering-inclusive-digital-economy/221_desg_workshop-on-fostering-inclusive-digital-economy.pdf?sfvrsn=cc5e9096_2); <https://www.apec.org/docs/default-source/Publications/2021/3/Strengthening-Women-Empowerment-in-Industry-4/221SMEStrengthening-Women-Empowerment-in-Industry-40.pdf>; [https://www.apec.org/docs/default-source/publications/2022/12/e-commerce-opportunities-for-indigenous-and-ethnic-minorities-bringing-innovation-expanding-markets-and-unleashing-potential/222\\_ppfs\\_e-commerce-opportunities-for-indigenous-and-ethnic-minorities.pdf?sfvrsn=d86ee497\\_2](https://www.apec.org/docs/default-source/publications/2022/12/e-commerce-opportunities-for-indigenous-and-ethnic-minorities-bringing-innovation-expanding-markets-and-unleashing-potential/222_ppfs_e-commerce-opportunities-for-indigenous-and-ethnic-minorities.pdf?sfvrsn=d86ee497_2); <https://apec.sitefinity.cloud/publications/2024/09/workshop-summary-report--increasing-access-to-the-benefits-of-trade-for-indigenous-businesses-and-entrepreneurs-2023>

<sup>50</sup> Examples from World Bank (2024), *Services Unbound*.

<sup>51</sup> ABAC Report to Leaders 2024; and OECD, *OECD Digital Economy Outlook 2024*, Volume 2.

[https://www.oecd.org/en/publications/2024/11/oecd-digital-economy-outlook-2024-volume-2\\_9b2801fc.html](https://www.oecd.org/en/publications/2024/11/oecd-digital-economy-outlook-2024-volume-2_9b2801fc.html)

<sup>52</sup> WTO (2023), *Digital Trade for Development*



Bank has observed that structural transformation and services “are likely to improve gender equality and gender representation in the labour market, thus stimulating gender-inclusive growth”.<sup>53</sup>

Small businesses, including those owned by women or Indigenous entrepreneurs, have traditionally struggled to participate in global services markets in the past because services trade has typically required geographical proximity – and with that, comes cost and other resource-heavy requirements. With the advent of digitally delivered services, some of those constraints may disappear.<sup>54</sup>

However, in order to realise this full potential of digitally delivered services, MSMEs and others need a regulatory and policy environment that facilitates trade and tackles barriers including “cultural” constraints (structural biases, time constraints, access to business networks), the domestic legislative environment (including laws relating to gender equity) skills barriers (particularly digital literacy and skills), lack of resources and information and access to finance. An enabling environment should provide ready access to data and technologies, enhance trust and accessibility, and support the cross-border delivery of services, including by reducing high trade costs and frictions.<sup>55</sup>

A report commissioned by ABAC from the University of Southern California’s Marshall School of Business in 2022 noted that “Digitally delivered services can have a catalytic effect and should be first on the APEC MSME agenda”. See Box overleaf.

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<sup>53</sup> World Bank (2024), *op. cit.*

<sup>54</sup> WTO (2023), *Digital Trade for Development*

<sup>55</sup> World Bank (2024), *op. cit.*

### **Box: The New MSME Economy**

Report by the University of Southern California's Marshall School of Business for ABAC, 2022

**“Digitally delivered services can have a catalytic effect and should be first on the APEC MSME agenda.** Focusing on digitally delivered services and building the digital market infrastructure needed to support them addresses challenges faced by all MSMEs. Harmonizing regulations and trade rules among economies, resolving challenges of non-collateral financing, ensuring more timely payment periods, and improving the operating and regulatory environments are all essential to allowing digitally delivered services to prosper.”

#### **Findings from Thought-Leaders:**

**The New MSME Economy is digital-first, creating new opportunities and challenges.** Thought-leaders reported that MSMEs adopted digital technologies at a rate significantly faster than before to connect and catch up to a rapidly evolving customer base.

**The data trail that is created from technologies like online platforms generate cascading opportunities for the MSMEs** and other stakeholders in the market. However, many MSMEs lack the means, knowledge, and skilled resources to successfully leverage these digital solutions.

**Continued development and promotion of digital skills is essential to the continued growth of MSMEs and the overall economy.** Digitization is expected to transform the workforce and human capital landscape, and it will increasingly become more ingrained in everyday life.

**Traditional business networks are rapidly evolving into digitally connected ecosystems.** MSMEs and thought-leaders indicated that they are utilizing digital resources (e.g., video conferencing, information sharing platforms) to connect with supportive networks to solve business problems. These networks often took the form of public-private partnerships, and as more elements began to integrate, some have started to evolve in sustaining ecosystems similar to “competitive clusters” found around areas like Shenzhen, China and Silicon Valley, USA.

#### **What does this mean for MSMEs? Fully embracing digitalization is a necessity:**

- ✓ Digitalizing basic business practices creates new opportunities, including increasing customer interaction points, automating tasks, and improving efficiency.
- ✓ Thought leaders believe MSMEs that fail to keep up with customer digitization will continue to lose market share.
- ✓ The data that comes with digitization is essential for full participation in the new economy and ecosystems.
- ✓ Digital adoption comes with major knowledge and training obstacles, especially for micro and small enterprises.
- ✓ Fully digitized trade pipelines create greater opportunities for MSMEs that can be paired with single-window efficiencies.
- ✓ Digital advancement generates massive opportunities for MSMEs in digitally delivered services and in onboarding data backed financing.
- ✓ Participation in private-public ecosystems allows MSMEs to specialize and generate stable revenues in B2B markets.
- ✓ Key technologies, tools and business models include platforms and digital ecosystems; electronic payments; digital identities; cloud technologies; and cybersecurity.

**“Rethink MSME support programs from the MSME perspective – Creating more effective MSME support programs.** MSMEs don’t need more programs; they need initiatives to be better designed and delivered to meet them where they are. Rather than considering size or revenue, MSMEs should be classified by needs and stages of development. With that in mind, policy makers should completely rethink how to deliver programs in engaging and digitally delivered formats, and coordinating systematic “MSME school”-like approaches with single entry points.”

### 3.5 Barriers to digitally delivered services in APEC

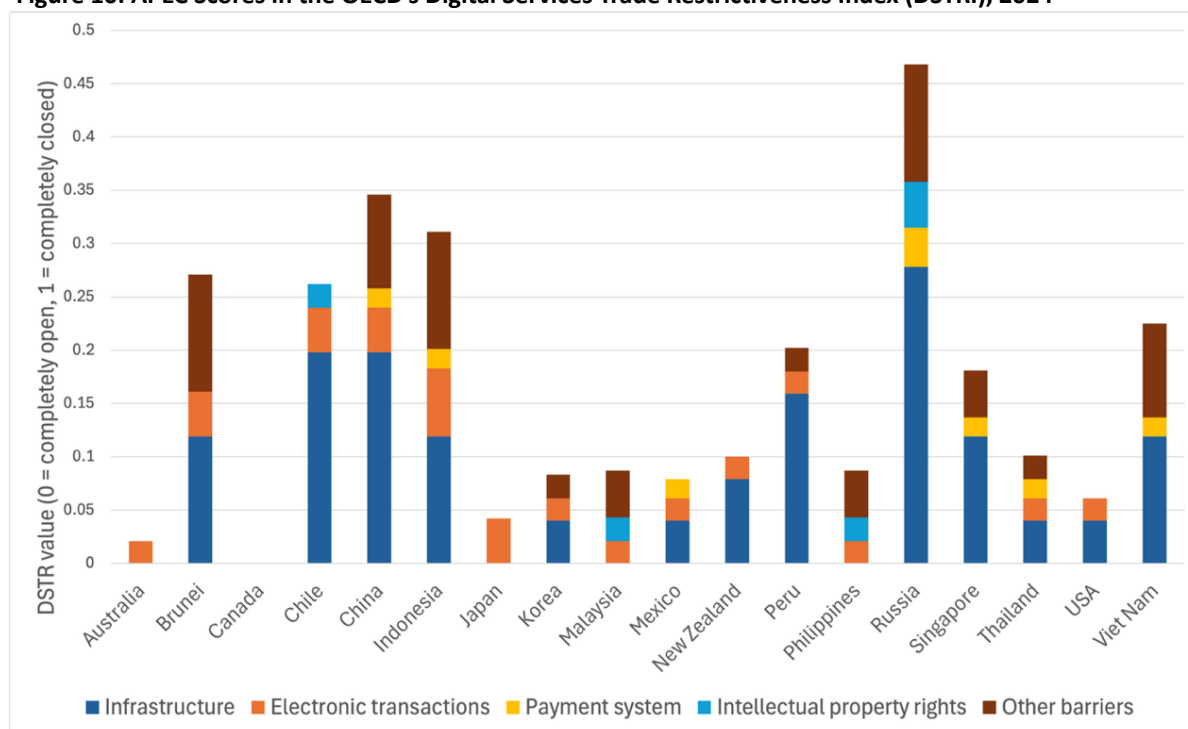
Factors affecting the competitiveness of digitally delivered services include the readiness of human and physical capital, adequate digital infrastructure, and an enabling policy environment. This points to the need to address any shortfalls via capacity-building in digital skills and literacy, robust, secure, sustainable and accessible digital infrastructure and connectivity, and an enabling, interoperable policy environment, including for trade.<sup>56</sup> The section below will focus on the latter.

#### The policy environment

As the first part of the report noted, barriers to digitally delivered services are on the rise in APEC. Figure 10 gives a snapshot of 2024 scores in the OECD Digital Services Trade Restrictiveness Index, showing how two main categories have contributed to this trend.

The biggest component in overall restrictiveness is “Infrastructure”, which encompasses cross-border data flows and data localisation requirements, non-discriminatory management of internet traffic and a range of restrictions on communication and connectivity services.

**Figure 10: APEC Scores in the OECD’s Digital Services Trade Restrictiveness Index (DSTRI), 2024**



Source: OECD Digital Services Trade Restrictiveness Index, accessed 28 June; author’s calculations

Note: Not all APEC economies are included in the DSTRI. “Infrastructure” includes cross-border data flows and storage, non-discriminatory internet traffic, and interconnectivity measures such as fixed or mobile interconnection requirements, terms and conditions and pricing, as well as vertical separation requirements. “Electronic transactions” includes discrimination in licensing or authorisation for e-commerce, data protection, e-signatures and online dispute resolution. “Payment system” includes payment systems and standards, and restrictions on internet banking or insurance. “Other barriers” include performance requirements affecting cross-border trade, limitations on downloading or streaming, restrictions on online advertising, local or commercial presence requirements, anti-competitive behaviour and other restrictions.

Cross-border data flows, as captured by the Infrastructure component, are a critical element in the global digital economy – and increasingly, in the global economy overall. Modelling by the OECD

<sup>56</sup> Jong Woo Kang, Rolando Avendano, Pramila Crivelli, Dominique Hannah Sy and Won Hee Cho, ‘Factors affecting the competitiveness of digital services trade’, Chapter 3 in ADB (2022), *Trends in Digital Services Trade in Asia and the Pacific*

shows that a “full fragmentation” scenario of cross-border data flows (where economies fully restrict these flows) would lead to global GDP losses of 4.5%. While this may be an extreme scenario, “gloeonomic fragmentation” would still result in more than 1% real GDP loss, the relatively lower impact reflecting an already-fragmented regulatory landscape.<sup>57</sup> The OECD work shows that there are also negative impacts from forced data localisation (that is, regulations or requirements mandating the local storage or processing of data).

#### **BUSINESS VOICE**

##### **No Cross Border Data Flows = No Cross-Border Payments = NO TRADE**

*Holly Dorber, President, Australian Services Roundtable and Government Relations, PayPal-Australia;* congratulates the APEC Group on Services and the APEC Economic Committee, on the intensified work undertaken, including in light of ABAC recommendations for the APSC Mid-Term Review, on services and structural reform. This work fully recognises digital services as front and centre in driving both technological transformation and growth in digital trade.

Next steps must include continued pioneering regional efforts towards greater convergence of data privacy regimes and greater harmonisation around risk-based approaches to cybersecurity and cloud services regulation. Dedicated APEC attention to these two matters will be critical in laying the essential groundwork for the emergence of regional governance on cross-border data flows.

There is no higher priority for services businesses than data free flow with trust, including continued freedom from absence of customs duties on all electronic transmissions. Data flows are intrinsic to the production and exchange of all digitally-enabled services and one way or another, all services are now on a trajectory to go digital. Meanwhile, online delivery of payments services is needed now for all commercial trade transactions, both for services and for merchandise.

Inefficient or overly trade restrictive data protection regimes are now binding constraints on international trade, no matter the size of the enterprise.

ASR member *Camilla Bullock, CEO of the Emerging Payments Association Asia* sees it time and time again; MSMEs cant jump the plethora of digital regulatory hurdles without help.

The Australian Services Roundtable calls for more attention to implementation of APEC’s best regulatory practice toolkits and greater focus on technical standards development, adoption and capacity building.

The other significant contributor to overall restrictiveness in APEC economies’ scores in the DSTRI is the “Other barriers” category. This includes local and commercial presence requirements, performance requirements, disciplines on anticompetitive behaviour online, and restrictions on online advertising as well as other requirements. As noted earlier in this report, obligations to establish a local commercial presence (including in many cases a requirement to enter into a joint venture arrangement with a local partner) and various performance requirements may not sit well with agile, cloud-first digital services businesses, inhibiting the kinds of business models they can deploy.

The “electronic transactions” category is also notable in some economies. This category includes measures relating to discrimination in licensing or authorisation for e-commerce, data protection requirements and the enabling environment for e-signatures and online dispute resolution. Some APEC economies impose restrictions on electronic payments – which are of course essential to the functioning of any cross-border trade. All of these elements serve to add friction and cost to digitally delivered services.

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<sup>57</sup> OECD/WTO (2025), *Economic Implications of Data Regulation: Balancing Openness and Trust*, <https://doi.org/10.1787/aa285504-en>

It is also useful to use the APEC Index to look at two important enablers of digitally delivered services: telecommunications services and computer services. For telecommunications, there are still relatively high barriers to foreign entry and competition. These restrictions are lower for computer services, but restrictions on the movement of people are relatively high in this sector – and access to “talent” remains a significant pain point for most tech businesses in the region.<sup>58</sup>

The OECD has estimated that a reduction by 0.1 points in the DSTRI is associated with an increase in total exports of 145%, including an increase in digitally-deliverable services of 277% and of ‘other services’ exports of 206%. Importantly, it is worth noting that the case for these reforms is not limited to services: the same reduction in the DSTRI is associated with a 176% increase in exports of agriculture and food, and a 117% increase in exports of manufactured goods.<sup>59</sup> This makes a compelling case for tackling these restrictions on digitally delivered services trade.

APEC cooperation will be critical to tackling these barriers and ensuring that MSMEs and other groups are able to share in the opportunities and benefits of digitally delivered services. At the most visible level, this should entail a commitment to avoid introducing new restrictions to digitally delivered services trade, including unnecessarily trade- and investment-restrictive technical regulations (digital “non-tariff barriers”), for example by making a commitment to a standstill in such measures, and agreeing to apply APEC’s 2018 Principles on Non-Tariff Measures to all sectors, including digitally delivered services (and/or ABAC’s 2017 Cross-Cutting Principles on Non-Tariff Barriers).<sup>60</sup> Economies should also refrain from introducing new tariffs on electronic transmissions, by supporting a permanent “E-Commerce Moratorium” in the WTO.

A further key enabler of growth in digitally delivered services will be a focus on “interoperability”. This must be achieved not only in terms of interoperable technical standards and the technologies themselves, but also through regulatory interoperability. As noted earlier, there is increasing global regulatory action, but also increasing regulatory heterogeneity. According to Digital Policy Alert, Asia-Pacific economies have adopted more than 1,500 digital laws and regulations in the last two decades, mainly in the last five years, and more than 300 laws and regulatory proposals are currently undergoing consultation.<sup>61</sup>

In this context, regulatory harmonisation would be extremely challenging, particularly as governments emphasise a desire for ‘digital sovereignty’. The pursuit of harmonisation per se may even have unintended consequence for data protection and cybersecurity, by failing to take account of economy-specific nuances. However, an approach that seeks to develop “norms, best practices, mechanisms and institutions based on shared regulatory goals...can enable different regulatory frameworks across countries to work or interoperate with each other”.<sup>62</sup>

Digital trade provisions can play an important part in fostering this cross-border interoperability and in creating a more enabling environment for digitally deliverable services trade across borders. In fact, these concepts are increasingly explicit or implicit goals in forward-leaning digital chapters of recent FTAs and in new Digital Economy Agreements, such as the Digital Economy Partnership

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<sup>58</sup> APEC Index, accessed 7 July 2025

<sup>59</sup> OECD (Javier López González, Siliva Sorescu, Pinar Kaynak) (2023), *Of Bytes and Trade: Quantifying the Impact of Digitalisation on Trade*, OECD Trade Policy Paper No. 273, May 2023

<sup>60</sup> For the APEC Principles, see [https://www.apec.org/meeting-papers/annual-ministerial-meetings/2018/2018\\_amm/cross-cutting-principles-on-non-tariff-measures](https://www.apec.org/meeting-papers/annual-ministerial-meetings/2018/2018_amm/cross-cutting-principles-on-non-tariff-measures); for the ABAC Principles, see the 2017 Report to Leaders, [https://www2.abaconline.org/assets/2017/ABAC%20Report\\_2017\\_FINAL.pdf](https://www2.abaconline.org/assets/2017/ABAC%20Report_2017_FINAL.pdf)

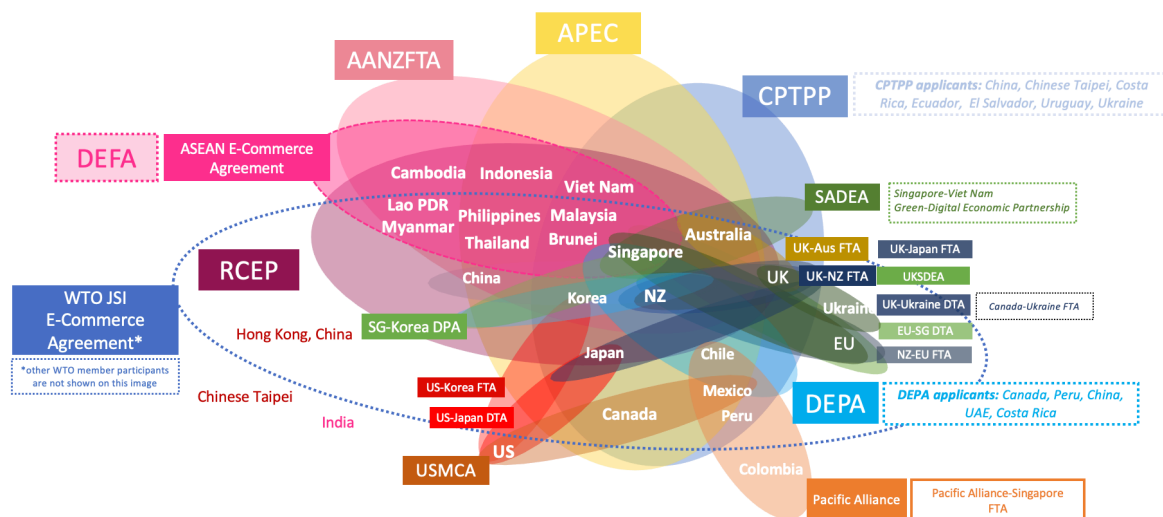
<sup>61</sup> Evenett, S. and Fritz, J., *Emergent Digital Fragmentation: The Perils of Unilateralism – a Joint Report of the Digital Policy Alert and Global Trade Alert*, June 2022

<sup>62</sup> Mishra, Neha (2024), ‘Regulatory Interoperability in the Digital Economy’, 10 April 2024; available at SSRN <https://ssrn.com/abstract=4990518>

Agreement, the Australia-Singapore Digital Economy Agreement or the Korea-Singapore Digital Partnership Agreement. Such provisions seek to foster cooperation and interoperability across a range of elements important for digitally delivered services, including data flows and forced data localisation, data protection, electronic payments and fintech, digital identities, and nascent work on AI and other emerging technologies. In the case of FTAs, these ‘rules’ elements can be complemented by relevant market access commitments for digitally delivered services.<sup>63</sup>

However, as Figure 11 illustrates, despite this increasing emphasis and intensity in digital trade policymaking, new provisions themselves may be generating greater heterogeneity – what could be described as a “digital noodle bowl” of overlapping and potentially divergent provisions. The new plurilateral E-Commerce Agreement in the WTO would help to provide an important consistent global baseline for provisions that affect digitally delivered services. However, only 19 APEC economies participated in the negotiations, and only 16 APEC economies were part of the group of WTO members that announced the conclusion of this agreement in July 2024.<sup>64</sup>

Figure 11: The “digital noodle bowl” of digital trade chapters and agreements in the Asia-Pacific



**Source:** Stephanie Honey. Key: AANZFTA = ASEAN-Australia-New Zealand FTA; CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership; DEFA = Digital Economy Framework Agreement; DEPA = Digital Economy Partnership Agreement; RCEP = Regional Comprehensive Economic Partnership; SADEA = Singapore-Australia Digital Economy Agreement; SG-Korea DPA = Singapore-Korea Digital Partnership Agreement; UKSDEA = United Kingdom-Singapore Digital Economy Agreement; EU-SG DTA = EU-Singapore Digital Trade Agreement; USMCA = United States-Mexico-Canada FTA.

## Part Four: The business case for ‘A New Services Agenda’

APEC Economic Leaders agreed a set of overarching goals for trade and investment in the region in the Putrajaya Vision 2040, which post-dated the launch of the ASCR by four years. They called for a “free, open, fair, non-discriminatory, transparent and predictable trade and investment environment”. On digitalisation, they identified the importance of structural reforms and sound economic policies to boost innovation and productivity, and highlighted a number of areas as

<sup>63</sup> See, for example, Honey, S., ‘Modernizing the CPTPP’s e-commerce chapter’, Hinrich Foundation, 11 March 2025 (<https://www.hinrichfoundation.com/research/article/ftas/modernizing-the-cptpp-e-commerce-chapter/>); Honey, S., ‘Navigating digital trade fragmentation in the age of geoeconomics’, Hinrich Foundation, 11 February 2025 (<https://www.hinrichfoundation.com/research/article/digital/navigating-digital-trade-fragmentation-in-the-age-of-geoeconomics/>); and Asian Development Bank (2025), *Digital Economy Agreements in Asia and the Pacific*, <https://www.adb.org/sites/default/files/publication/1053791/digital-economy-agreements-asia-pacific.pdf>

<sup>64</sup> [https://www.wto.org/english/tratop\\_e/ecom\\_e/joint\\_statement\\_e.htm](https://www.wto.org/english/tratop_e/ecom_e/joint_statement_e.htm)



needing increased attention from policymakers, including digital infrastructure, digital transformation, the digital divide, data flows and digital trust.<sup>65</sup>

These Putrajaya Vision elements are priorities that the business community in the APEC region shares. ABAC has identified early and concrete action to build out the Free Trade Area of the Asia-Pacific as central to the realisation of the Putrajaya Vision; as part of that effort, ABAC would like to see more coherent governance of services and digital trade, including through a New Services Agenda, along with well-designed interoperable digital trade rules, initiatives for universal uptake of paperless trade and digital trade financing, and good governance of artificial intelligence – along with advocacy for greater use of technology solutions for greener trade.<sup>66</sup>

## 4.1 Latest developments

At their 2025 meeting, APEC Ministers Responsible for Trade similarly recognised the importance of digitally enabled services and the evolving technological transformation. Their 2025 Declaration states (author’s emphasis below):

*“15. We encourage economies to implement effective reforms in the services sector given its contribution to economic growth. We recognize the existing efforts to promote the APEC Services Competitiveness Roadmap (ASCR), which will reach its target date in 2025. We encourage officials to develop an ambitious framework for a post-2025 services roadmap. This framework may **take into account the expanding role of digitally enabled services, as well as the impact of emerging technologies**. In this regard, we further encourage cross-fora cooperation to discuss how to foster innovative services.”<sup>67</sup>*

- **Accordingly, bringing together the threads explored above, this report is recommending that APEC establish a New Services Agenda to follow the current Roadmap. Detailed recommendations are set out overleaf.**

## 4.2 Detailed Recommendations for a New Services Agenda

### Priority 1: Map the landscape and enhance transparency

- **Update the Apex Index for the Measurement of the Regulatory Environment for Services, for all economies and all sectors**  
*The APEC Index provides critical transparency to help guide policymakers and regulators in the reform process. However, it should be maintained, expanded, and made more accessible.*
- **Establish an APEC Repository for Digitally Delivered Services Trade Measures**  
*APEC already has a number of valuable transparency mechanisms, including the APEC Trade Repository for goods. There is value in gathering a similar range of information relating to digitally delivered services.*
- **Engage more closely with business stakeholders**  
*It will be critical to engage more closely with businesses (for example, through public-private dialogues) on emerging technologies in trade and business models; on which trade barriers “matter”, and on how to design policy and regulatory approaches that are fit for purpose.*

<sup>65</sup> [https://www.apec.org/meeting-papers/leaders-declarations/2020/2020\\_aelm/annex-a](https://www.apec.org/meeting-papers/leaders-declarations/2020/2020_aelm/annex-a)

<sup>66</sup> ABAC Report to APEC Economic Leaders 2024. <https://www2.abaconline.org/assets/2024/ABAC-Report-to-APEC-Economic-Leaders-2024.pdf>; and ABAC Report to APEC Ministers Responsible for Trade 2025.

<sup>67</sup> <https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/trade/2025-apec-ministers-responsible-for-trade-joint-statement>

## Priority 2: Tackle Barriers and Promote Structural Reforms

- **Commit to a standstill on new trade restrictions affecting digitally delivered services**  
*Economies should agree not to apply new trade restrictive measures on digitally delivered services. In addition, as a complement to the extensive work undertaken by economies under the Roadmap on technical regulations and good regulatory principles, economies should endeavour to apply the APEC Principles on Non-Tariff Measures and ABAC Principles on Non-Tariff Barriers to the services and digital sectors;*
- **Support a permanent E-Commerce Moratorium and the WTO E-Commerce Agreement,**  
*Including adopting its commitments and supporting its integration into the WTO rulebook, to promote coherence of international standards, norms and trade rules for digital services;*
- **Set targets for further reforms,** including:
  - reducing APEC Index scores for all digitally deliverable sectors and all economies;
  - improving the growth rate for digitally delivered services in every economy
  - achieving higher participation by MSMEs, women and Indigenous entrepreneurs in digitally delivered services trade

## Priority 3: Facilitate Trade and Enable Inclusion

- **Share best practices on targeted support** for more, and more successful, participation in digitally delivered services trade, especially for MSMEs, women, Indigenous entrepreneurs. *APEC economies have established some valuable initiatives in this area, but more can be done, including leveraging best practices internationally, such as the WTO and the International Trade Centre “Women Exporters in the Digital Economy” (WEIDE) Fund.*
- **Commit to Digital Regulatory Impact Assessments for new regulatory measures.**  
*Commit to establish services regulatory impact assessments that specifically take the international trade and investment dimension into account, and provide opportunities for APEC economies to discuss progress in this area.*<sup>68</sup>
- **Establish a Digital Services Exporter Online tool**  
*MSMEs and others would benefit from online, accessible tools for finding information on requirements relating to digitally delivered services. There are some useful models for this among APEC economies.*<sup>69</sup>

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<sup>68</sup> A proposal from the Australian Services Roundtable; Trade Policy Decoded Episode 18 Podcast with Holly Dorber, President, Australian Services Roundtable, 19 September, 2024, Listen at 10.36 minutes <https://open.spotify.com/episode/669iBdNw5KH8JPxxOzEfio>. See also Kati Suominen (2025), ‘Toward better digital rules: Improving digital policymaking in APAC’, Hinrich Foundation, 1 July 2025.

<sup>69</sup> See for example the “Services Exporter Tool” from the New Zealand Ministry of Foreign Affairs and Trade, <https://services-exporter-tool.govt.nz/?services=413,438,454&market=404&modes=1>