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2024 Update to Monitoring Pandemic Recovery Under the APEC Services Competitiveness Roadmap (ASCR)

APEC Policy Support Unit

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Prepared by:

Andre Wirjo, Sylwyn C. Calizo Jr., and Eldo Malba Simanjuntak*

Asia-Pacific Economic Cooperation Policy Support Unit

Asia-Pacific Economic Cooperation Secretariat

35 Heng Mui Keng Terrace

Singapore 119616

Tel: (65) 6891-9600 | Fax: (65) 6891-9690

Email: psugroup@apec.org Website: www.apec.org

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KEY MESSAGES

- **APEC is seeing a resurgence in commercial services trade.** Annual data shows that after the region's full recovery¹ in 2022, APEC trade in commercial services continued growing to USD 5.4 trillion in 2023, 7.6 percent higher than the year before. The gap between the actual and the projected values of APEC commercial services trade also continued to narrow in 2023 — shrinking from USD 1.2 trillion in 2020 to USD 0.2 trillion in 2023.² APEC is likely to have fully recovered too in terms of commercial presence (mode 3), as suggested by global estimates that pointed out that the services sector attracted USD 679 billion in 2022, surpassing the two-decade peak of USD 646 billion in 2008.
- **Collective progress notwithstanding, APEC needs to ensure that no economy is left behind.** Despite the collective resurgence of commercial services trade, recovery continues to be uneven across economies. While most APEC members have already fully recovered both in commercial services and in transport services trade, a few remain only partially recovered. Concerningly, although the travel sector is recovering, 15 economies are still below their pre-pandemic level in 2023. Even in the other business services sector where APEC generally thrived amid the pandemic, two economies had a relatively challenging experience as evidenced by their continued non-recovery from the pandemic.
- **APEC trade in travel services remains partially recovered but a full recovery may happen soon.** Despite jumping to USD 1.1 trillion in 2023, trade in travel services remain lower than the pre-pandemic level. Notwithstanding, the trend suggests that a full recovery may happen in 2024. Similar insights could be distilled from both international tourist arrivals and tourism receipts data. The sector's continued recovery could have been contributed by the continued rollback of COVID-19 border requirements, which all APEC economies have removed as of the beginning of 2024.
- **APEC trade in transport services has continued to grow since its full recovery in 2021, but a vulnerable (and even worsening) regulatory environment risks a potential slowdown for growth.** While the sector's 2023 trade value of USD 1.1 trillion is slightly lower than the year prior (likely due to shipping rates' normalization), it remains sufficiently high to indicate the sector's full recovery from the pandemic. Yet, the APEC Index scores indicate that collective efforts by economies to bring down the level of restrictions in the logistics customs brokerage sub-sector have not moved the needle sufficiently to bring it back to the 2019 pre-pandemic level, which is less restrictive. Moreover, five sub-sectors (i.e., air transport, maritime transport, courier, rail freight transport, and logistics cargo-handling) became more restrictive in 2023 relative to 2022. Notably, the courier sub-sector became even more restrictive than during the pandemic. These developments alongside other headwinds could potentially slow down trade growth in the transport sector.
- **APEC trade in other business services did not experience a fall during the pandemic and has continued to scale greater heights, expanding further to USD 0.41 trillion in 2023H1.** Although economies have made commendable efforts in tackling restrictions in sub-sectors such as accounting, engineering and legal services (their 2023 average scores are lower than their 2022 scores), they were not sufficient to move them to the 2019 pre-

¹ To facilitate an intuitive interpretation of data, this report utilizes a three-level category system to describe services trade recovery. The categories are non-recovery, partial recovery, and full recovery. More details can be found in Figure 1.

² Projected values were calculated based on the compound annual growth rate (CAGR) in 2015-2019.

pandemic level, which is less restrictive and could impact the sector from achieving its potentials in terms of trade value.

- **Government policies remain a critical factor that could affect services trade recovery.** Analysis of measures listed in the latest review period indicated in the WTO's compilation for the Trade Policy Review Body (i.e., mid-October 2022 to mid-October 2023) revealed policies that could have contributed to the region's continued recovery, including raising thresholds above which government approval would be needed and facilitating short-term activities in certain sectors by not requiring an application for visas or permits. However, it also pointed to policies that could impede services trade from reaching greater heights, such as requiring filings as pre-conditions for cross-border data transfers.
- **Concerningly, APEC's regulatory environment for services trade remains more restrictive than its pre-pandemic level — accompanied by a worrisome trend of increasing restrictions for digital services trade.** The 2023 average APEC Index score showed continued improvements in the regulatory environment affecting services trade, but it also indicated a level of restrictions that is still above the 2019 pre-pandemic situation. Meanwhile, despite the increasing role of digitalization in services trade, the digital STRI score describes an APEC region that is becoming more restrictive with regards to digital services trade.
- **Given the influence of policies, APEC should be vigilant to prevent backtracking of progress made.** The regulatory environment has worsened for the courier sub-sector, making it more restrictive than the pandemic level. As for air transport, maritime transport, rail freight transport, and logistics cargo-handling, their 2023 conditions show a more restrictive environment compared to 2022.
- **APEC should also redouble efforts in tackling trade restrictions.** Across all sub-sectors where the APEC Index score is available, trade liberalizations have generally slowed down in 2023 relative to 2022. Moreover, trade liberalizations observed between 2022 and 2023 (and between 2021 and 2022 in many sub-sectors) were mostly contributed by the rollback of COVID-19 measures. Setting aside the COVID-19 trade liberalizations revealed that economies collectively introduced more non-COVID-19 trade restrictions relative to trade liberalizations between 2022 and 2023. It is critical that economies tackle restrictions affecting services trade over and beyond rolling back COVID-19 measures.
- **APEC may wish to focus on specific policy categories, but policymakers should also be mindful of the importance of holistic approaches in overcoming restrictions.** The contribution of restrictions on foreign entry (as a policy category) to the overall 2023 score has increased relative to the 2022 score across all sub-sectors where the APEC Index is available, some by more than one percentage point. At the same time, noting the interlinkages between measures and the fact that different agencies could be overseeing the implementation of these measures, it is important that economies do not lose sight of the value of a holistic approach to overcoming their negative impact on services trade.
- **APEC needs to press on with efforts to improve the state of services data and statistics in the region, progress notwithstanding.** The APEC Index has been expanded to cover 18 economies, up from 15 in the first pandemic recovery report. Yet, economies need to continue to expand the coverage of this index, both in terms of economy and sectoral

coverage. Analyses of various data as inputs to this report also shows that more needs to be done to improve the state of services data and statistics in the region.

- **APEC could leverage the APEC Services Competitiveness Roadmap (ASCR) to make meaningful recovery in these sectors of interest.** The ASCR underscores APEC's commitment to facilitate services trade and investment and to enhance the competitiveness of the services sector in the region. A broad range of APEC-wide actions, both cross-cutting and sectoral, have been identified in the roadmap to motivate economies to work closely at a regional level. If followed through, these actions could go a long way in facilitating the much-needed recovery of the travel sector and bring transport (including logistics-related services) and other business services sectors to greater heights.

1. INTRODUCTION

On 11 March 2020, amid the concerningly fast spread and severity of COVID-19 cases, the World Health Organization (WHO) officially declared a global pandemic (WHO, 2020). This day marked the beginning of a series of responses taken by governments seeking to protect communities and to minimize losses in both human life and the economy. Lockdowns, stricter monitoring of the movement of people, and border closures quickly became common while the world raced to develop an effective vaccine.

These interventions led to almost all households remaining indoors for weeks and months. The sudden change made it extremely difficult for commercial services to operate, especially those requiring physical interactions. In APEC, for instance, commercial services trade plummeted by 22.3 percent in 2020, more than double the decline resulting from the 2008 global financial crisis and four times the contraction felt by merchandise trade (Wirjo et al., 2022).

As economic pressure and public worry grew, both governments and businesses clamored to adapt amid unprecedented times. Businesses, for example, accelerated their transition to digital ways of services delivery — a change that most establishments already begun doing even before the pandemic. Similarly, governments too have rapidly digitalized many of their processes. The proliferation of digitally deliverable services to overcome limited physical interactions distinguished what would become known as the pandemic new normal. For instance, people consulted doctors online via telehealth platforms, conducted financial transactions using their smartphones, or worked remotely using videoconferencing software.

After more than three years, the WHO finally declared the official end of the COVID-19 pandemic (UN News, 2023). Arguably, 5 May 2023 marked the first day towards global pandemic recovery. Like the rest of the world, however, APEC continued to face several challenges that could make this recovery difficult. Among these include slow and uneven growth, high inflation, a high degree of uncertainty, rising inequality, and narrow fiscal space (Crisologo and Kuriyama, 2023). As of 2024Q1, these continue to persist alongside fragile growth, inflationary pressures, and geopolitical concerns, thus further complicating recovery (Crisologo et al., 2024).

Anticipating these difficulties, the APEC Group on Services (GOS) and Senior Officials endorsed in August 2022 the “Decision on Monitoring Pandemic Recovery Under the APEC Services Competitiveness Roadmap (ASCR),” which aimed to annually monitor and report recovery in travel, transport (including logistics-related services)³ and other business services sectors⁴ from 2023 to 2025.

With the assistance of the APEC Policy Support Unit (PSU), the first report on monitoring pandemic recovery was published in August 2023 (Wirjo and Calizo, 2023). The report highlighted the recovery of APEC commercial services trade in 2022 (relative to 2020), albeit

³ The APEC definition of logistics-related services was endorsed by APEC Ministers Responsible for Trade in 2022. The services included, inter-alia: customs brokerage services; cargo handling; storage and warehousing; freight forwarding; courier services; distribution services; and air-, maritime-, rail-, and road transport services (see: <https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/trade/apec-ministers-responsible-for-trade-statement-of-chair>).

⁴ The three sectors of travel, transport and other business services are based on the Extended Balance of Payments Services Classification 2010 (EBOPS 2010) classification, which provides a breakdown of the Balance of Payments Trade in Services item (debit and credit) as defined in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), by types of services. For more details, see: <https://unstats.un.org/unsd/classifications/Family/Detail/101>.

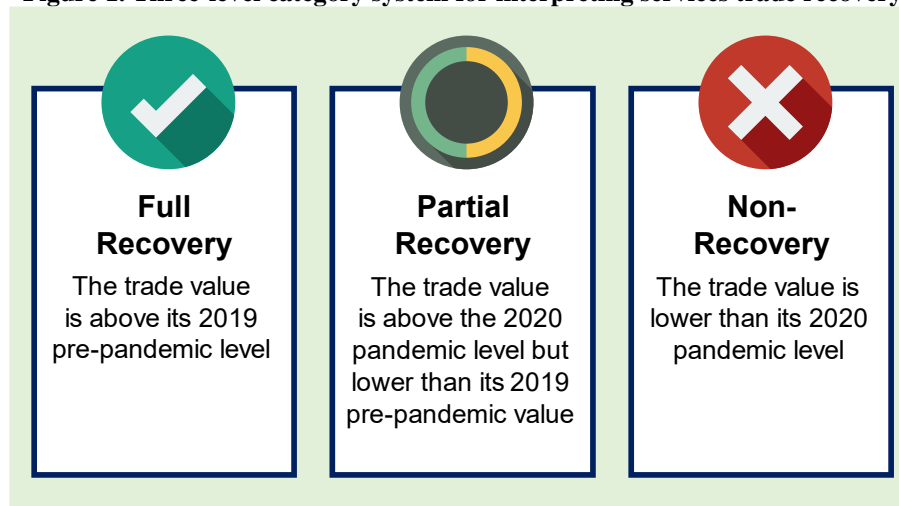
still lower than the projected value had there been no pandemic. In addition, the level of recovery varied by economy and sector. One reason for this variation is the role of policies in facilitating trade. For instance, even as APEC economies removed temporary measures related to the COVID-19 pandemic, many have introduced trade restrictions unrelated to it. Continuing its support, this second report on monitoring pandemic recovery offers an updated assessment on the developments in services trade recovery and re-examines barriers to services trade in the APEC region. Given this report's focus on monitoring the region's collective progress, it would be useful to complement the findings with economy-specific analyses that contain domestic nuances and contexts.

2. DEVELOPMENTS IN SERVICES TRADE RECOVERY

This section primarily uses services trade data from the World Trade Organization (WTO) to provide a 2024 update on the developments in services trade recovery. This trade data is recorded following the Balance of Payments, which includes a mix of the WTO General Agreement on Trade in Services (GATS) mode 1 (cross-border trade), mode 2 (consumption abroad), and mode 4 (presence of natural persons).⁵ Mode 3 (commercial presence) is not included in this trade data and estimated instead using announced greenfield foreign direct investment (FDI) data from the UN Trade and Development (UNCTAD). Data specific to APEC, however, cannot be disaggregated by sector. Additional indicators that complement these data are provided as necessary for each sector.

To facilitate a more intuitive interpretation of the progress on services trade recovery, this report utilizes a three-level category system based on the latest trade values relative to the 2020 pandemic and the 2019 pre-pandemic levels (Figure 1).

Figure 1. Three-level category system for interpreting services trade recovery



Source: Authors.

2.1 GENERAL

The first monitoring pandemic recovery report indicated that annual APEC trade in commercial services has fully recovered (i.e., exceeded the 2019 pre-pandemic level) (Wirjo and Calizo, 2023). Specifically, after falling from USD 4.7 trillion in 2019 to USD 3.7 trillion in 2020, annual APEC trade in commercial services reached USD 5.0 trillion in 2022.⁶ Notwithstanding this full recovery, it was still lower than the 2022 projected value of USD 5.4 trillion had there been no pandemic. The pandemic's long-term effects have also made it difficult for APEC to meet its 2022 target value of USD 6.2 trillion, which was envisioned when the ASCR implementation plan started in 2016.⁷

⁵ For more details, see: https://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm.

⁶ Due to data updates, some figures may be different from those cited in the first monitoring pandemic report. For consistency and to avoid confusion, this report utilizes the updated data.

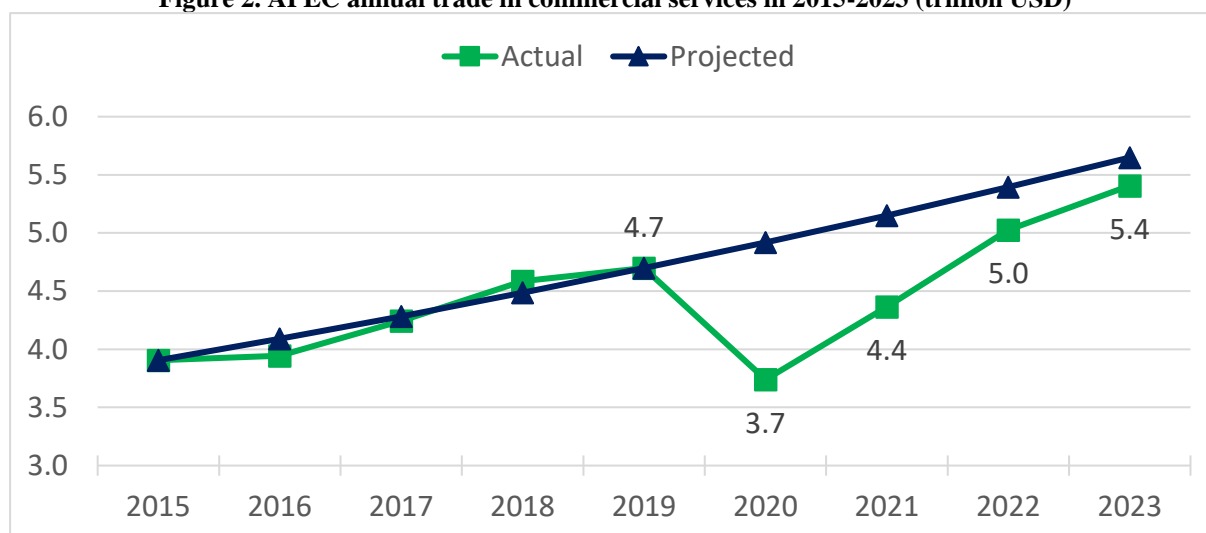
⁷ This target value was calculated using the compound annual growth rate (CAGR) set in the ASCR implementation plan (i.e., 6.8 percent). For more details, see: https://mddb.apec.org/Documents/2016/MM/AMM/16_amm_012.pdf.

As of June 2024, the latest data shows that APEC continues to improve its situation (Figure 2). APEC trade in commercial services reached USD 5.4 trillion in 2023, 7.6 percent higher than the year before. In addition, the gap between the actual and the projected values have noticeably narrowed — from a high of USD 1.2 trillion in 2020 to USD 0.2 trillion in 2023.

Nonetheless, recovery remains uneven. Among the 20 APEC economies that recorded 2023 values that are 4 percent to 116 percent higher than their 2020 trade, 16 have already fully recovered. The remaining four, meanwhile, recovered partially (i.e., above the 2020 pandemic level but lower than the 2019 pre-pandemic level).

On commercial presence, the latest announced inward greenfield FDI across all sectors (i.e., primary, manufacturing and services) indicates that APEC has also fully recovered from its 36.6 percent fall in 2020 (APEC PSU, 2023). Specifically, APEC has collectively reached a sum of USD 434 billion in 2022, higher than both the USD 251 billion garnered in 2020 and the USD 396 billion that APEC attracted in 2019. While similar data disaggregated by sector is unavailable for APEC, global estimates reveal that the services sector has already fully recovered, even thrived, after attracting USD 679 billion in 2022, higher than even the two-decade peak of USD 646 billion in 2008.⁸

Figure 2. APEC annual trade in commercial services in 2015-2023 (trillion USD)



Note: Projected values are calculated based on a CAGR (2015-2019) of 4.72 percent. This APEC aggregate does not include Papua New Guinea due to data unavailability in 2023.

Source: APEC PSU calculations using data from the WTO (accessed 6 June 2024).

2.2 TRAVEL⁹

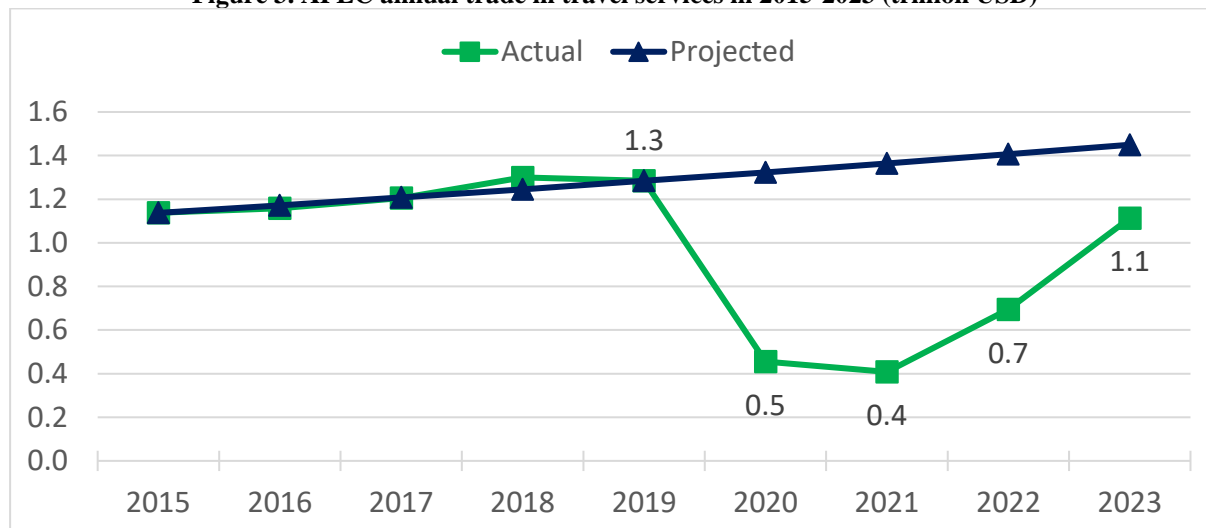
Analysis from the first report pointed out that the travel sector has yet to fully recover (Wirjo and Calizo, 2023). Despite partially recovering from a slump of USD 0.5 trillion in 2020 to USD 0.7 trillion in 2022, it remained 45.9 percent lower than the 2019 value of USD 1.3 trillion. It is also lower than the 2022 projected value of USD 1.4 trillion had there been no pandemic.

⁸ APEC PSU calculations using data on announced greenfield FDI projects, by sector/industry from the UNCTAD World Investment Report 2023. See: <https://unctad.org/topic/investment/world-investment-report>.

⁹ As explained in the first monitoring pandemic recovery report, the travel sector is different from other services sectors in the Extended Balance of Payments Services (EBOPS 2010) Classification since it is not a specific product. It is instead defined as goods and services acquired by non-residents during visits to an economy for personal use or to be given away. For more information, see page 51: https://unstats.un.org/unsd/publication/seriesm/seriesm_86rev1e.pdf.

Trends from the latest data on APEC annual trade in travel services, however, reveal that full recovery may happen in 2024 (Figure 3). Indeed, APEC trade in travel services jumped to USD 1.1 trillion in 2023, 60.3 percent higher than in 2022. However, this remains lower than the 2019 value of USD 1.3 trillion and the 2023 projected value of USD 1.4 trillion had there been no pandemic. Notwithstanding, this development represents a gap reduction from USD 0.9 trillion in 2020 to USD 0.3 trillion in 2023 and brings APEC closer to its pre-pandemic level.

Figure 3. APEC annual trade in travel services in 2015-2023 (trillion USD)



Note: Projected values are calculated based on a CAGR (2015-2019) of 3.08 percent. This APEC aggregate does not include Brunei Darussalam; Papua New Guinea; and Viet Nam due to data unavailability in some years.

Source: APEC PSU calculations using data from the WTO (accessed 6 June 2024).

Among APEC economies, 18 recorded higher 2023 values relative to their 2020 trade, thus suggesting at least partial recovery for most of APEC. This ranges from 42 percent to 438 percent. However, only three economies have fully recovered to above pre-pandemic levels: Canada; Chile; and Mexico.

A complementary way to evaluate recovery in travel services is to also look at the number of international tourist arrivals. Data from Statista (2024) shows that global tourist arrivals have partially recovered from a low of 0.4 billion people in 2020 to 1.3 billion people in 2023. This improvement is likely the result of travel resurgence spurred by a blend of border re-openings, normalization of airfares, and travel and tourism programs (Box 1). Despite substantially improving, this remains lower than the pre-pandemic peak of 1.5 billion people in 2019. While data specific to APEC is unavailable yet for 2023, a rough estimate based on the sum of Asia and the Pacific, and the Americas reveals that the APEC region has likely only partially recovered as well. Combined international tourist arrivals for this region rose from 0.1 billion people in 2020 to 0.4 billion people in 2023, about a quarter less than the 2019 level of 0.6 billion people.

This partial recovery can be corroborated by looking at international tourism receipts. Data from the UN Tourism indicates that global international tourism receipts doubled from USD 0.5 trillion in 2020 to 1.1 trillion in 2022, thus bringing it closer to the 2019 pre-pandemic level (USD 1.5 trillion).¹⁰ Like international tourist arrivals, data for APEC is unavailable yet for 2023. However, a rough estimate based on Asia and the Pacific, and the Americas suggests that

¹⁰ APEC PSU calculations using data from UN Tourism (see: <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance>) (accessed 13 May 2024).

APEC too has only partially recovered. Combined international tourism receipts for this region reached USD 0.4 trillion in 2022, higher than the USD 0.3 trillion in 2020 but still lower than the 2019 high of USD 0.8 trillion.

Box 1. Tourism-related programs and initiatives undertaken by economies

APEC economies continue to introduce/implement various programs and initiatives to help boost their tourism sector. These include:

1. Event-driven tourism

Proactive steps have been taken by regional tourism boards to integrate concert tourism in their strategy (Lee, 2024). Taylor Swift's The Eras Tour shows in Singapore, for instance, were expected to generate up to an estimated SGD 500 million in tourism receipts (Tan, 2024). In Indonesia, a total of IDR 2 trillion was allocated to support bids to host similar events (Shofa, 2023). Besides concerts, economies are also rebranding cultural celebrations to attract more visitors. For example, Thailand extended its Songkran festival in 2024 to three weeks to attract more visitors to its public water fights, which has increasingly caught interest from abroad. Such a move was expected to bring about USD 668 million from both domestic and international tourists (Walker, 2024).

2. Joint tourism initiatives

Viet Nam is engaging two non-APEC economies – Cambodia and Laos – to develop a 'One Journey, Three Destinations' initiative that will attract visitors to these three economies all in a single trip. This allows for more diversified and enhanced itineraries for visitors. As part of the initiative, these economies are working to develop infrastructure connectivity, implement mutual recognition of visas, as well as harmonizing their visa application procedures through a unified fee structure and sharing databases. This initiative is expected to further incentivise collaborative travel programs that have been conducted by travel agencies in the region for some time (Tran, 2024).

3. Unilateral visa-free arrangements

Several economies have unilaterally implemented visa-free policies to draw visitors. China, for instance, expanded its unilateral visa-free travel policy to six additional economies for the period of March-November 2024 (China Briefing, 2024). In Thailand, the Thai Visa Exemption Scheme allows tourists from 64 economies to enter the economy without a visa (Siam Legal International, 2024). The benefit of such a unilateral arrangement has also been observed in Viet Nam where the new visa exemption regime effective since 15 August 2023 has been attributed to attracting 70 percent of the 337,000 entries made by foreigners just in the second half of August 2023 (The Star, 2023).

4. Adapting to tourists' demands

Economies are also adapting to a transformative trend among tourists of exploring beyond the well-trodden tourism areas and attractions (i.e., life-seeing vs. sightseeing). As part of its long-term tourism strategy, Singapore is positioning itself as an 'urban wellness haven' by promoting its wellness offerings and making them easier to discover by locals and visitors

alike (Raguraman, 2022). Meanwhile, the Indigenous Tourism Association of Canada is also responding to tourists' growing interest for more Indigenous experiences by promoting cultural tours to Indigenous sites and creating a fund to help Indigenous businesses nearby (Chilibeck, 2024). Similarly, the South Dakota Tourism in the United States is working with nine Indigenous groups to offer new cultural tourism experiences within three reservation areas in South Dakota (Yost, 2023).

5. Showcase economies and/or attractions through campaigns and influencers

New Zealand has tapped the influence of pop culture into its tourism campaign by premiering a promotional film featuring Oscar winners from a popular series shot in New Zealand, highlighting unique activities in several of its tourism destinations (Craymer, 2023). Tourism New Zealand has also established a partnership with Xiaohongshu — a Chinese social media platform — to gain access into its vast user base (Ramesh, 2023). Elsewhere, the Singapore Tourism Board (STB, 2023) has similarly unveiled 'Made in Singapore', which is a global campaign to inspire travelers to choose Singapore as their next destination. STB partnered with different influencers, each with their passions and interests (e.g., food, adventure) to showcase how these could be realized in Singapore (Fox, 2019).

2.3 TRANSPORT (INCLUDING LOGISTICS-RELATED SERVICES)¹¹

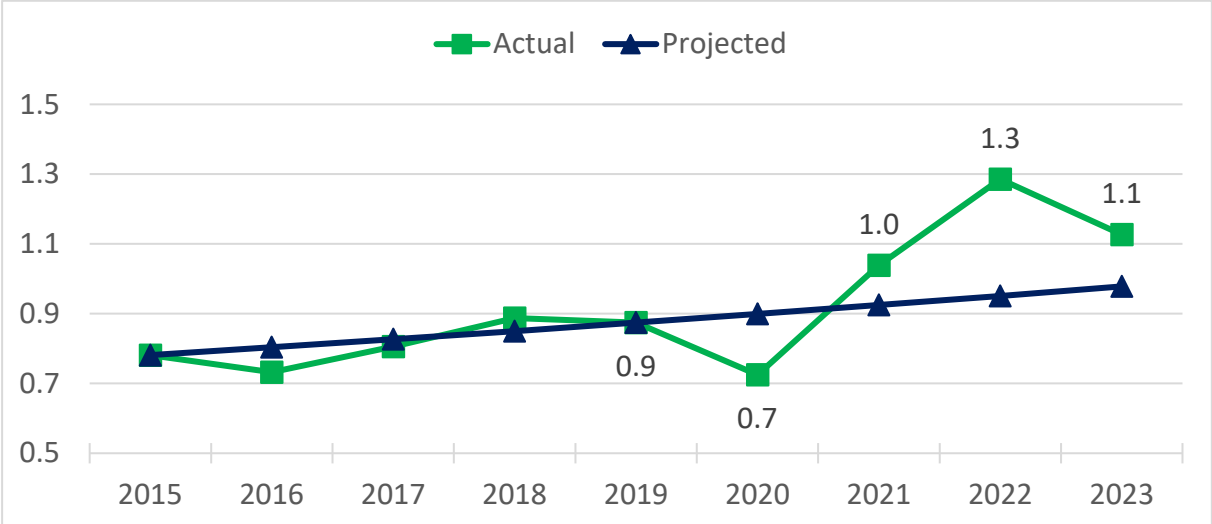
As shown in the first monitoring pandemic recovery report, APEC trade in transport has already fully recovered (Wirjo and Calizo, 2023). In fact, APEC trade in this sector has fully recovered as early as 2021 when trade increased to USD 1.0 trillion, above both the 2020 pandemic level (USD 0.7 trillion) and the 2019 pre-pandemic level (USD 0.9 trillion). After fully recovering, transport continued to grow to USD 1.3 trillion in 2022 — 28.6 percent higher than the projected value had there been no pandemic. Granted, this relatively quick recovery was likely driven by an increase in prices, as evidenced by higher shipping rates that remained elevated until April 2023.

Unsurprisingly, the normalization of shipping rates affected the nominal value of trade in transport. Evidence shows that APEC annual trade in this sector dropped to USD 1.1 trillion in 2023, a little lower than the year prior (Figure 4). Despite this decrease, APEC's 2023 trade remains high enough to maintain the region's full recovery status from the pandemic.

However, some economies have not yet fully recovered. Among the 18 economies that reported higher 2023 trade, ranging from about 10 percent to 100 percent compared to 2020, two have only partially recovered. Pursuing the increased adoption of digital trade platforms may help boost recovery (Box 2).

¹¹ As defined in the first monitoring pandemic recovery report, transport services in EBOPS 2010 covers the process of carrying people and objects between locations and related supporting and auxiliary services. It encompasses different modes of transport such as air, sea (maritime), rail and road transport services, as well as other supporting and auxiliary services such as cargo handling, storage and warehousing, freight forwarding, and brokerage services. It also includes postal and courier services. However, it excludes distribution services as these are usually included in the value of trade in merchandise goods and hence are not separately identified in the balance of payments framework. For more information, see page 45: https://unstats.un.org/unsd/publication/seriesm/seriesm_86rev1e.pdf.

Figure 4. APEC annual trade in transport in 2015-2023 (trillion USD)



Note: Projected values are calculated based on a CAGR (2015-2019) of 2.85 percent. This APEC aggregate does not include Brunei Darussalam; Papua New Guinea; and Viet Nam due to data unavailability in some years.
 Source: APEC PSU calculations using data from the WTO (accessed 6 June 2024).

Box 2. Overcoming barriers to increased adoption of digital trade platforms

Technological advancements notwithstanding, cross-border trade remains largely a manual and time-consuming process. Paper-based documents are still widely exchanged between various parties involved in the transactions, with as much as three-quarters of the information having to be rekeyed on different documents. Besides being highly inefficient, manual entries tend to have more errors, leading to discrepancies and delays. Paper documents are also easy to fabricate, hamper transparency as well as the ability of institutions to crack down on trade finance fraud, among others.

Digital tools, including digital trade platforms, are a potential solution to these challenges. It improves productivity, efficiency and security. It also strengthens cross-border connections and contributes to enhanced data ecosystems. Prior to the COVID-19 pandemic, the adoption of digital technologies, both by the public and private sectors, has started to transform trade processes in various APEC economies. The significant disruption of supply chains during the pandemic led to renewed calls for further digitalization and redoubling of efforts. Yet, progress appears to have been slow in certain areas, such as the adoption of an electronic bill of lading and cross-border electronic exchanges of different documents (e.g., certificate of origin, customs declaration, and sanitary and phyto-sanitary certificate).

Several factors could be holding back the increased adoption of trade digitalization, in particular digital trade platforms. First, acceptance and enforceability of electronic documents. While progress has been made in facilitating paperless trade, many existing legislations still require most documents to be issued in paper form, including those collectively referred to as transferable records/documents (e.g., bill of lading, bills of exchange, and warehouse receipts). There also appears to be a preference for paper-based instruments among some stakeholders, possibly due to their long history.

Second, interoperability and standards. Interoperability among digital trade platforms is critical for having a seamless communication between parties involved in the transactions.

Where platforms work in isolation or could only facilitate communication between a small group of parties (akin to ‘digital islands’), paper documents are still needed to serve as a bridge between these islands. Moreover, without a standardized approach, platforms that wish to link with one another must do so bilaterally through multiple trials.

Third, commercial viability. Despite more platform providers entering the fray, their long-term sustainability remains a challenge. Platforms could rack up exorbitant costs depending on the technology used. At the same time, the closed-loop networks that are reflective of many digital trade platforms mean that they may face difficulties in attracting sufficient services partners and users.

Fourth, digital skills and infrastructure. Although the right digital capabilities are necessary to employ emerging technologies and fully capitalize on digital trade platforms, many economies, including APEC members, still lack these capabilities. Digital infrastructure too has not kept pace with the developments in digital trade platforms.

Promoting the increased adoption of digital tools, including digital trade platforms, requires more efforts in: (1) advancing the legal recognition of electronic documents; (2) improving standards and interoperability; (3) enhancing the commercial viability of trade platforms; and (4) identifying and addressing gaps holistically.

Source: [Wirjo et al. \(2024\)](#).

2.4 OTHER BUSINESS SERVICES¹²

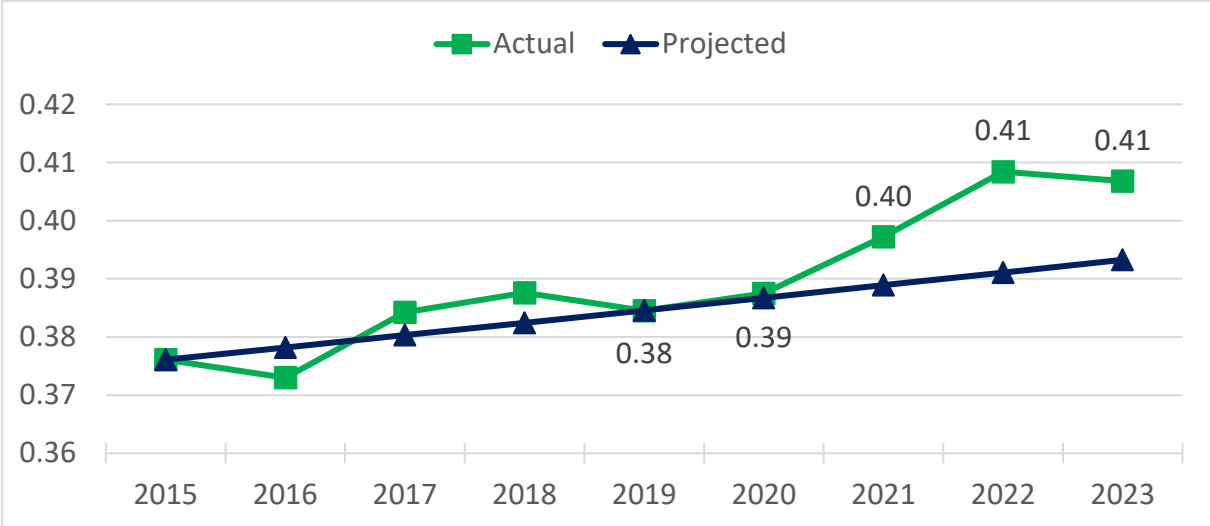
Observations from the first report indicated that, unlike other services sectors, APEC trade in other business services did not experience a fall since the pandemic happened ([Wirjo and Calizo, 2023](#)). Instead, annual trade in this sector rose slightly from USD 0.95 trillion in 2019 to USD 0.97 trillion in 2020, before growing further to USD 1.09 trillion in 2021 — higher than even the projected value had there been no pandemic. One possible reason for this irregularity (relative to other monitored sectors and services as a whole) is the proliferation of digitally deliverable services, which proved resilient (possibly thriving) amid limited physical interactions during the pandemic. Evidence shows that these services grew by 1.2 percent, contrasting non-digitally deliverable services that fell by 43.6 percent ([Wirjo et al., 2022](#)).

The latest trade data also confirms this atypical growth. While annual data remains unavailable for this sector, trends based on the first half of each year shows that APEC year-on-year trade in other business services expanded from USD 0.39 trillion in 2020H1 to USD 0.41 trillion in 2023H1 (Figure 5).¹³ Like two years prior, APEC continued to surpass its projected values.

¹² As mentioned in the first pandemic recovery report, other business services in EBOPS 2010 include components such as research and development services, professional and management consulting services, and technical, trade-related and other business services. To be exact, research and development services comprise of services related to basic research, applied research and experimental development of new products and processes and include activities in the physical sciences, social sciences and humanities, while professional and management consulting services comprise of legal, accounting, management accounting, and public relations services and advertising, market research and public opinion polling. Meanwhile, technical, trade-related and other business services comprise of components such as architectural, engineering, scientific and other technical services; waste treatment and de-pollution, agricultural and mining services; operating leasing services; trade-related services; and other business services, not identified elsewhere. For more details, see page 71: https://unstats.un.org/unsd/publication/seriesm/seriesm_86rev1e.pdf.

¹³ Readers may notice that these values are lower than those reported in the first pandemic recovery report. These lower values are the result of updated data and the exclusion of Hong Kong, China due to data unavailability.

Figure 5. APEC year-on-year trade in other business services in 2015H1-2023H1 (trillion USD)



Note: Projected values are calculated based on a CAGR (2015H1-2019H1) of 0.56 percent. This APEC aggregate does not include Brunei Darussalam; Hong Kong, China; and Viet Nam due to data unavailability in some years.
 Source: APEC PSU calculations using data from the WTO (accessed 6 June 2024).

Although APEC trade in other business services generally thrived amid the pandemic, two economies had a relatively more challenging experience. Both recorded 2023H1 values below their 2020H1 trade, hence indicating non-recovery from the pandemic.¹⁴ Meanwhile, 15 economies reported higher 2023H1 trade (compared to 2020H1) ranging from 1 percent to 57 percent.

¹⁴ For transparency, one of these economies has partially recovered in 2022H1.

3. RE-EXAMINING POLICY BARRIERS TO SERVICES TRADE

Government policies are one critical factor that affects services trade. Indeed, the fall in economic activities as the world grappled with the pandemic, and the subsequent recovery seen as the world emerges from it are arguably contributed, albeit partially, by changes in policies.

Following the first pandemic recovery report, this section continues to discuss the non-exhaustive measures taken by governments in response to the pandemic. It provides the latest update drawn from the WTO's own compilations, namely the:

- Compilation on COVID-19 measures affecting trade in services (henceforth, the WTO Secretariat's compilation on COVID-19 measures); and
- Compilation on measures affecting trade in services, collected as part of the annual report from the WTO Director-General to the Trade Policy Review Body (henceforth, the WTO Secretariat's compilation for the Trade Policy Review Body).

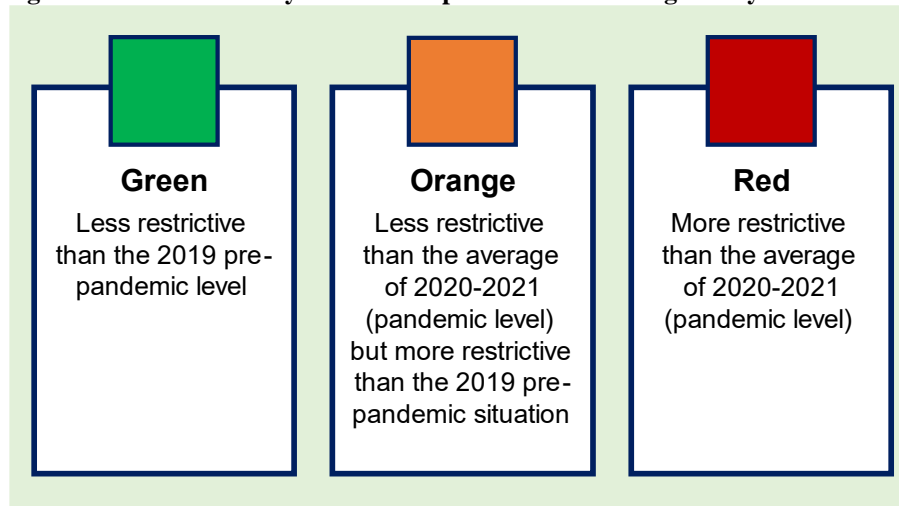
Both WTO compilations do not indicate if specific measures are trade-facilitating or trade-restrictive. Moreover, it is not easy to determine if a specific measure in the next review period is still in effect, revised, or withdrawn/terminated. Furthermore, the WTO Secretariat noted that their information is not exhaustive, and interactions between measures and their collective impact on the overall restrictiveness of services trade have not been considered.

Noting the limitations of these two WTO compilations, this re-examination continues to utilize data from the APEC Index, which is one consistent way to determine how the level or state of services trade restrictiveness has changed over time in an economy or region. A value of between 0 (open) and 1 (closed) is assigned to each sector covered by the APEC Index to indicate the level of restrictiveness in policies.

Furthermore, the APEC Index has been expanded to cover 18 economies, up from 15 in the first pandemic recovery report.¹⁵ Specifically, these 18 economies are: Australia; Canada; Chile; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States; and Viet Nam. Like in the first pandemic recovery report, this analysis continues to use a colour-coded system to interpret the status of regulatory environments relative to the pre-pandemic and pandemic situations, as measured by the APEC Index (Figure 6).¹⁶

¹⁵ The APEC Index analyzed in this report was provided by the OECD in September 2024.

¹⁶ Readers may wonder about the slight variation between this colour-coded system and the three-level category system used for interpreting services trade recovery. Specifically, the base reference for the pandemic is different (i.e., 2020 is used as the base pandemic year when comparing trade values, while the average of 2020 and 2021 scores is used as the base pandemic year when comparing the APEC Index). The motivation for this variation is because we endeavored to monitor the recovery of trade values in 2021 relative to 2020 for various reasons (e.g., sectors adopting digital tools to access and provide services, sectors not affected significantly by the pandemic). In the context of the APEC Index, however, we recognized that some economies put in place policy measures to limit the spread of COVID-19 in both 2020 and 2021.

Figure 6. Colour-coded system to interpret the status of regulatory environments

Source: Authors.

3.1 GENERAL

Analysis of the WTO Secretariat's compilation on COVID-19 measures

The compilation referred to in this report was last updated on 6 November 2023. It showed that 15 APEC economies had collectively introduced a total of 47 measures in response to the pandemic, which made up close to a third of the 145 listed measures. Compared to the compilation used in the first pandemic recovery report (updated on 16 February 2023), one less measure was observed in the latest compilation. Similar to last year, 11 (out of 47) measures affected all or various sectors, including those related to temporary entry and stay of natural persons, and to the internet and other network-enabled sectors (which are listed in 'measures affecting various sectors' in the WTO Secretariat's compilation for the Trade Policy Review Body).¹⁷ Of these 11 measures, only one related to investment screening is indicated to have been withdrawn. While this might not mean that the other 10 measures are still in place (as they could have been withdrawn but not captured in the table),¹⁸ it could also indicate that the implications of the COVID-19 pandemic are more long-lasting than expected, leading economies to see the rationale for continuing with these measures or the merits of keeping such measures beyond the COVID-19 pandemic.

Like in the first report, many of these measures generally fall into two categories. The first is those related to investments or commercial presence (mode 3). Examples of these, which are arguably trade-facilitating measures, include requiring government departments to strengthen and provide necessary services to foreign firms. It also includes potentially trade-restrictive ones such as lowering the monetary threshold for investments to be screened, requiring a notification of investments even if they are below the threshold, and paying more attention to investments of any value, whether controlling or non-controlling.

¹⁷ This is likely because with digitalization, measures affecting the internet and other network-enabled services could have implications beyond the sector itself.

¹⁸ Indeed, the WTO noted that in accordance with their long-standing practice of verifying information and measures with members, the WTO Secretariat is seeking verification of the measures identified in the table. It also indicated that the compilation would be updated regularly and verification would be sought throughout this process. See https://www.wto.org/english/tratop_e/covid19_e/trade_related_services_measure_e.htm

Meanwhile, the second category is those related to the movement of people (mode 4). Potentially trade-facilitating examples of these include allowing temporary work visa holders employed in critical sectors to remain and continue working until they could return to their economies, streamlining the visa application process through an e-visa option, and allowing employers to apply for work visas to be processed even when the prospective employees had not arrived yet in the economy, whereas an arguably trade-restrictive example is the suspension of entry for foreign workers under certain visa categories.

Specifically on measures affecting internet and other network-enabled services (which could also affect other sectors that have adopted some form of digitalization), one example is taxing foreign suppliers/platforms that satisfy the significant economic presence criteria.

Analysis of the WTO Secretariat's compilation for the Trade Policy Review Body

Observations from the first pandemic recovery report, which covered three WTO review periods (i.e., mid-October 2019 to mid-October 2022) coinciding with the time the world was gripped by the COVID-19 pandemic, showed that 19 APEC economies collectively implemented a total of 194 measures, representing close to two-fifths of all measures captured by the WTO Secretariat. Moreover, 92 out of the 194 measures (47.4 percent) were categorized under 'measures affecting various sectors' and 'services supplied through the movement of natural persons'. Most of these 92 measures impacted mode 3 (i.e., affected investment or establishment of commercial presence) and/or mode 4 (i.e., affected the movement or presence of natural persons).

Analysis of the latest review period (i.e., mid-October 2022 to mid-October 2023) revealed that 17 APEC economies collectively implemented a total of 36 additional measures (Table 1). Relative to the three preceding review periods, this marks the lowest number of measures collectively implemented by APEC economies. However, since all economies (including non-APEC economies) implemented fewer measures overall, APEC economies continued to collectively contribute about the same percentage share (29.3 percent of all measures captured by the WTO) as in the preceding review period (27.6 percent). Of these 36 additional measures, 20 (55.6 percent) are categorized under 'measures affecting various sectors' and 'services supplied through the movement of natural persons'.

Table 1. Measures affecting trade in services, by WTO review period

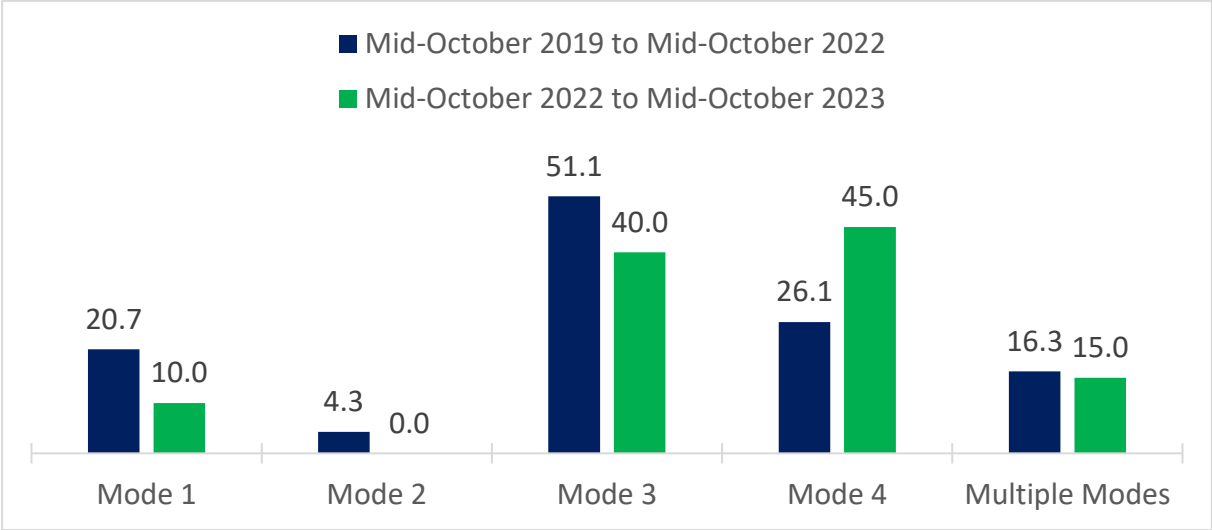
Review Period	Number of total measures by APEC economies	Number of measures affecting various sectors and services supplied through the movement of natural persons by APEC economies
Mid-October 2019 to Mid-October 2020	62 out of 143 (43.4 percent)	28 out of 62 (45.2 percent)
Mid-October 2020 to Mid-October 2021	84 out of 178 (47.2 percent)	42 out of 84 (50.0 percent)
Mid-October 2021 to Mid-October 2022	48 out of 174 (27.6 percent)	22 out of 48 (45.8 percent)
Mid-October 2022 to Mid-October 2023	36 out of 123 (29.3 percent)	20 out of 36 (55.6 percent)
Total	230 out of 618 (37.2 percent)	112 out of 230 (48.7 percent)

Source: APEC PSU compilation based on the WTO Secretariat's compilation for the Trade Policy Review Body.

Similar to the three preceding periods, these new measures impact mostly mode 3 and/or mode 4 (Figure 7). Mode 1 is impacted but to a relatively smaller extent. One example of a new measure that positively impacts mode 3 is the increase of thresholds above which foreign investors must obtain government approval. This means that more foreign investments likely do not need approval to proceed. Economies have also introduced measures to improve the

investment environment and to encourage more foreign investment in modern services, including through the creation of a single window and registry for investors.

Figure 7. Modes impacted by APEC measures affecting various sectors and services supplied through the movement of natural persons (percentage of total measures)



Note: Sums do not add up to 100 percent as a single measure may affect more than one mode. Multiple modes refer to measures that affected more than one mode but did not indicate which modes specifically.
Source: APEC PSU calculations based on the WTO Secretariat’s compilation for the Trade Policy Review Body.

On mode 4, examples of new measures that arguably facilitate its trade are the issuance of guidelines for the processing of certain skilled visas, including the introduction of a new open work permit stream for individuals holding certain occupations and the simplification of the points system used in assessing applications by those in the skilled migrant category. Where job vacancies must be advertised in the jobs portal as part of the labour market test, an economy has reduced the advertisement time. Economies have also facilitated short-term activities in designated sectors by not requiring visitors to apply for employment visas or entry permits. There are also efforts to make better use of digital tools to facilitate the submission of applications.

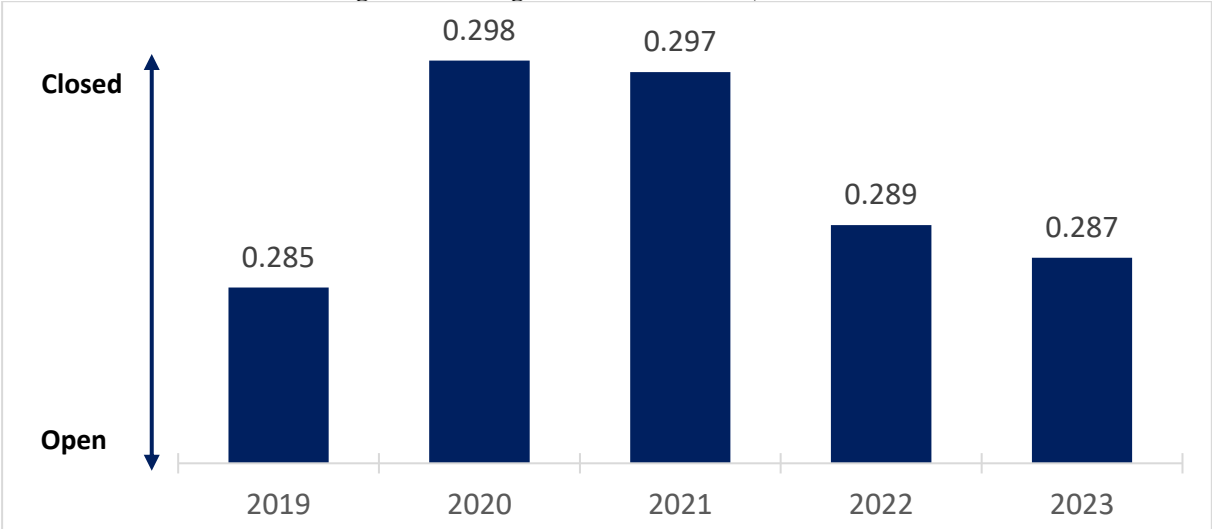
Specifically on mobility, it is worthwhile to also look at measures taken at the border to minimize the spread of COVID-19. Although the pandemic has led to the proliferation of digital services, it should be acknowledged that physical interactions are still part and puzzle of fostering inter-firm collaborations, building rapport with potential clients, and securing more businesses. The latest status of border measures implemented by APEC economies is elaborated in Section 3.2.

With regards to measures related to the internet and other network-enabled services that could affect the provision of services beyond these sectors, one example of a new measure put in place by economies to regulate the collection, processing and use of personal data is to enact a Personal Data Protection Act, which could entail increased obligations for both the public and the private sectors that hold personal information and/or require impact assessments and filings with the relevant authority as pre-conditions for cross-border personal data transfers. Where there are already existing penalties for serious or repeated privacy breaches and/or enforcement powers have been given to the relevant authority, they have been enhanced. Economies have also introduced non-data related measures, such as requiring digital platform services providers to furnish business information to the relevant authority and large foreign operators to appoint a local point of contact.

Analysis of the APEC Index and the digital STRI

Analysis of the APEC Index shows that, in general, economies continued to improve the policy environment affecting services trade. Since the more restrictive situation registered during the pandemic (i.e., 0.298 and 0.297 in 2020 and 2021, respectively), the average APEC Index score had improved to 0.289 in 2022 and then to 0.287 in 2023 (Figure 8). Yet, the level of restrictiveness remained above the 2019 pre-pandemic score.

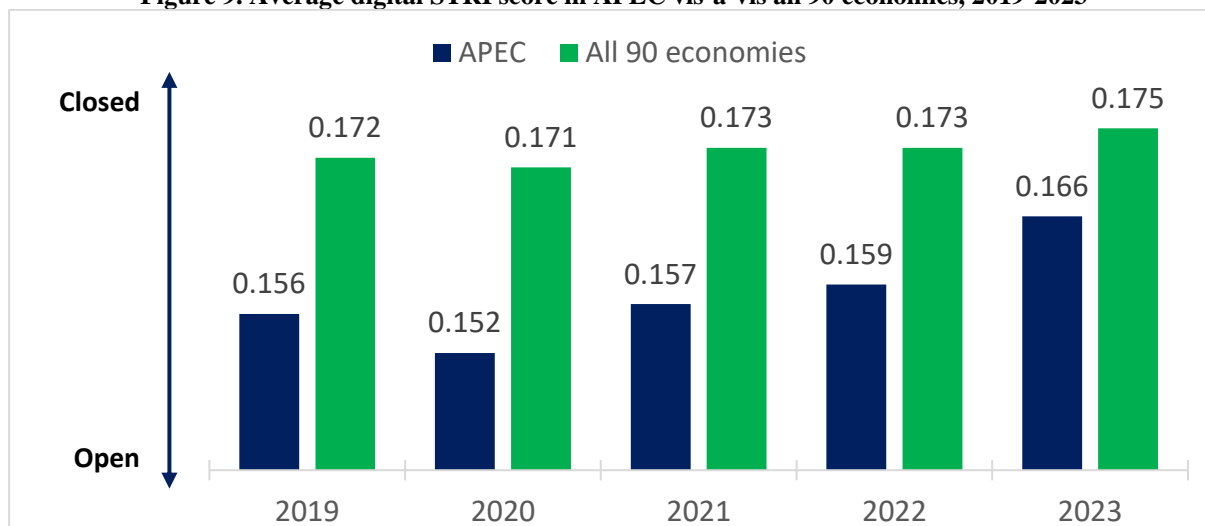
Figure 8. Average APEC Index score, 2019-2023



Note: Sector-specific APEC Index scores may not be available for certain economies. This APEC aggregate does not include Brunei Darussalam; China; and Hong Kong, China due to data unavailability.
Source: APEC PSU calculations based on data from the APEC Index and the OECD.

In terms of the colour-code expounded in Figure 6, the average 2023 APEC Index score would be categorized as orange, unchanged when compared to the status of the average 2022 APEC Index score. It is also worthwhile to note that the rate of improvement of the policy environment has slowed down between 2022 to 2023 (relative to the period 2021-2022).

The Organisation for Economic Co-operation and Development’s (OECD) digital services trade restrictiveness index (STRI) complements what the APEC Index shows because it identifies, catalogues, and quantifies barriers that affect trade in digitally enabled services. As mentioned earlier, the COVID-19 pandemic accelerated the provision of digital services, but doing so requires a supportive regulatory environment. Analysis of the data that covers 18 APEC economies shows that after a slight improvement in 2020, the average digital STRI score for the APEC region has worsened steadily to 0.166 in 2023 (Figure 9). This is indicative of a more restrictive policy environment for digital services trade in the region amidst the increasing role of digitalization in services trade. One case in point is the rapid evolution of artificial intelligence (AI) over the past decade and how it is shaping the development of services trade (see Box 3).

Figure 9. Average digital STRI score in APEC vis-à-vis all 90 economies, 2019-2023

Note: Scores are generally interpreted from 0 (open) to 1 (closed). This APEC aggregate does not include Hong Kong, China; Papua New Guinea; and Chinese Taipei due to data unavailability.

Source: APEC PSU calculations based on data from the OECD.

Although the APEC region is on average still less restrictive than the average score for all 90 economies covered by the digital STRI, the gap has been narrowing over the years. Thus, it is important that APEC endeavours to facilitate trade in this area. The main contributors to the score are policies categorized under ‘infrastructure and connectivity’ and ‘other barriers affecting trade in digitally enabled services’. Examples of the former include restrictions on cross-border data flows and restrictions on the use of communication services, while examples of the latter include commercial and/or local presence requirements to provide cross-border services and performance requirements affecting cross-border digital trade.

Box 3. AI and services trade

AI is not new. The term was first mentioned in 1956 at a workshop at Dartmouth College (Wooldridge, 2021). While it may have been familiar only to people within specialized circles, the launch of ChatGPT in November 2022 marked AI’s entry into the wider public awareness, which consequently led to its rapid adoption. There is currently no universally agreed definition of AI, but the OECD, for example, has defined an AI system as a “machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment” (Russell et al., 2023).

As a general-purpose technology, AI has extensive applications across sectors and domains. It could be used to optimize resource allocation and streamline tasks. Specifically in the services sector, for instance, AI tools could be used in the legal sector to automate certain tasks such as contract reviews. AI could also help to operationalize investment decisions and with customer service interactions in the financial sector. Where AI adoption leads to improvements in productivity and efficiency as well as improved customer satisfaction, it not only opens up new opportunities, but also bolsters trade. This is particularly so for services that could be easily traded across borders. Indeed, Sun and Trefler (2023) found that AI has boosted trade in digital services by facilitating the development of more diverse applications.

Although the uptake of AI can enhance services trade, the converse is also true: services trade could drive AI advancement and uptake. For instance, the development and deployment of AI can be considered a type of computer service since it encompasses a broad array of services related to the design and development of computer systems and software. Moreover, AI depends on robust telecommunication services for its operations (e.g., to transmit data). Relatedly, AI algorithms rely on large datasets to learn and perform assigned tasks properly, underscoring the importance of cross-border data flows.

Trade restrictions could adversely affect AI adoption and by extension, the potential growth opportunities presented by AI. For example, limitations on investments in telecommunication services could have an impact on the state of critical digital infrastructure needed to access certain services, including those utilizing AI. Similarly, constraints on the mobility of professionals in key sectors could obstruct the seamless movement of AI experts between economies. APEC economies would need to relook these policies if they are to foster increased AI adoption in the region.

3.2 TRAVEL

Observations from the first report noted that many economies, including APEC members, put in place a plethora of border policies such as vaccination, quarantine, and testing requirements to slow down the spread of COVID-19. It further indicated that while many APEC economies have removed many restrictions and requirements as of May 2023, COVID-19 border restrictions and vaccination requirements for short-term visitors continued to vary. Examples include: requiring short-term travelers to be fully vaccinated with recognized vaccines; requiring travelers to take a COVID-19 test (some only if they are not fully vaccinated); requiring the submission of documentation in advance of arrival; requiring the download of a digital app for use within the economy; and requiring COVID-19 medical/travel insurance.

As of the beginning of 2024, it could be observed that these border requirements have all been removed. This includes measures by Brunei Darussalam;¹⁹ Chile;²⁰ China;²¹ Indonesia;²² Korea;²³ Malaysia;²⁴ Papua New Guinea (*Air Niugini, 2022*); the Philippines;²⁵ and Russia (*Embassy of the Russian Federation in the Republic of Singapore, 2022*). Where digital apps were used for contact tracing during the pandemic, some economies have not only discontinued their use but have gone further to indicate that data derived from the apps would be or have been deleted (*Department of Health and Aged Care, Australia, 2023; Smart Nation, Singapore, 2024*). In addition, an empirical analysis conducted by the APEC PSU to understand the impact of border requirements on visitor arrivals showed that removing quarantine requirements is associated with a doubling of monthly visitor arrivals (relative to the period when there was a quarantine). Meanwhile, removing testing requirements is associated with a near-doubling of monthly arrivals, everything else equal (*San Andres et al., 2022*). Perhaps to complement this

¹⁹ See: <https://www.flyroyalbrunei.com/singapore/en/covid-travel-advisory/>.

²⁰ See: <https://www.chile.travel/en/traveltochileplan/>

²¹ See: <http://sg.china-embassy.gov.cn/eng/lswx/va/zgqz/> and

https://bio.visaforchina.cn/SGP3_EN/qianzhengyewu/jichuzhishi/banlilicheng/220323827610161192.html

²² See: <https://indonesianembassy.de/wp-content/uploads/2023/07/Notifikasi-SE-Satgas-Covid-19-No-1-Tahun-2023.pdf>

²³ See: https://overseas.mofa.go.kr/ie-en/brd/m_23775/view.do?seq=5

²⁴ See: https://www.kln.gov.my/web/sgp_singapore/travel_advisory and <https://mysafetravel.gov.my/>

²⁵ See: <https://www.philippine-embassy.org.sg/travel-guide/>

analysis, some news articles have shown the continued increase in tourism numbers since border requirements were removed (Palansamy, 2024; Raguraman, 2024).

To ensure the continued recovery of the travel and tourism sectors, it is important that economies refrain from putting in place trade-restrictive policies and press on with trade-facilitating measures. Analysis of the WTO Secretariat's compilation for the Trade Policy Review Body from mid-October 2019 to mid-October 2023 showed that one APEC economy has required guides and guide-interpreters to be natural from the same economy, while another APEC economy has temporarily allowed foreign-invested travel agencies established in some cities to engage in broader outbound tourism business.

3.3 TRANSPORT (INCLUDING LOGISTICS-RELATED SERVICES)

Analysis of the WTO Secretariat's compilation on COVID-19 measures and the compilation for the Trade Policy Review Body

In the previous report, it was noted that of the 48 measures introduced by APEC economies in response to the pandemic (listed in the WTO Secretariat's compilation on COVID-19 measures), four measures affected air transport services, two measures affected maritime transport services, while one measure affected postal services specifically. The latest compilation updated on 6 November 2023 still reflects these same measures.²⁶ However, compared to the earlier compilation analyzed for the first pandemic recovery report, one measure related to air transport services was indicated to have been terminated.

The previous report also noted that analysis of the WTO Secretariat's compilation for the Trade Policy Review Body over three periods (mid-October 2019 to mid-October 2022) showed APEC economies collectively implementing a total of 12 measures affecting transport (including logistics-related services). The latest review period (i.e., mid-October 2022 to mid-October 2023) showed no measures that are specific to transport (including logistics-related services). However, it should be noted that measures discussed in the general section above could affect transport (including logistics-related services) as they affect all or various sectors.

Analysis of the APEC Index

As mentioned in section 3.1 above, the APEC Index could provide a good indication of how trade restrictiveness for some sub-sectors have changed over time for the region, even though it does not cover all APEC economies nor all sub-sectors under transport in the EBOPS 2010.²⁷

In terms of colour-code, as seen in Table 2, nine sub-sectors have remained in the same category: seven sub-sectors (air transport, maritime transport, road freight transport, logistics cargo-handling, logistics storage and warehouse, logistics freight forwarding, and distribution) in the green Category, and two sub-sectors (rail freight transport and logistics customs brokerage) in the orange category. This indicates that collective efforts by economies to

²⁶ Examples of those affecting air transport services include giving flexibility in the delivery of classroom training and exempting flight crews from quarantine requirements, while examples of those affecting maritime transport services include banning crew exchanges for seafarers if they had travelled to several economies in the last 21 days prior to arrival in the economy putting in place the particular measure.

²⁷ As defined in the first pandemic recovery report, the APEC Index covers air transport (SC2), maritime transport (SC12), rail freight transport (SC3B2), road freight transport (SC3C2), postal and courier services (SC4), logistics cargo-handling (SC3G), logistics storage and warehouse (SC3G), logistics freight forwarding (SC3G), and logistics customs brokerage (SC3G). These are based on the concordance table linking the APEC Index sectors and the EBOPS 2010 classification. The APEC Index also covers distribution services (SJ34/SH1), which is included in the APEC definition of logistics-related services but is not under the transport category in EBOPS 2010.

Table 2. Summary of sectoral analysis related to transport (including logistics-related services) covered by the APEC Index

Sector	Category classification of the 2022 APEC Index score	Category classification of the 2023 APEC Index score	Status changes relative to the average APEC Index Score in 2022	Slower trade liberalization in 2023 relative to 2022	Continued rollback of COVID-19 measures	Introduction of more non-COVID-19 trade restrictive measures relative to trade liberalization measures between 2022 and 2023	Top two categories of restrictions in the 2023 APEC Index score				
							A	B	C	D	E
Air transport	■ Green	■ Green	No change	Yes	Yes	Yes	1			2	
Maritime transport	■ Green	■ Green	No change	Yes	Yes	Yes	1	2			
Road freight transport	■ Green	■ Green	No change	Yes	Yes	Yes	1	2			
Rail freight transport	■ Orange	■ Orange	No change	Yes	Yes	Yes	1			2	
Courier	■ Orange	■ Red	Worsened	Yes	Yes	Yes	1			2	
Logistics cargo-handling	■ Green	■ Green	No change	Yes	Yes	Yes	1	2			
Logistics storage and warehouse	■ Green	■ Green	No change	Yes	Yes	Yes	1				2
Logistics freight forwarding	■ Green	■ Green	No change	Yes	Yes	Yes	2				1
Logistics customs brokerage	■ Orange	■ Orange	No change	Yes	Yes	Yes	1				2
Distribution	■ Green	■ Green	No change	Yes	Yes	Yes	1			2	

Note: (1) category classification of the 2022/2023 APEC Index score: ■ Green – the 2022/2023 APEC Index score is lower than the pre-pandemic 2019 score; ■ Orange – the 2022/2023 APEC Index score is lower than the average of the 2020 and the 2021 APEC Index scores but higher than the pre-pandemic 2019 score; and ■ Red – the 2022/2023 APEC Index score is higher than the average of the 2020 and the 2021 APEC Index scores; (2) Category of restrictions in 2023 APEC Index score: A – Restrictions on foreign entry; B – Restrictions to movement of people; C – Other discriminatory measures; D – Barriers to competition; E – Regulatory transparency.

Source: APEC PSU compilation based on data from the APEC Index and OECD.

bring down the level of restrictions in sub-sectors categorized as orange have not moved the needle sufficiently to the green category. The situation has in fact reversed for the courier sub-sector, moving it from the orange to the red category.²⁸ These developments alongside other headwinds, such as shipping and port disruptions (Kang, 2024), could potentially slow down trade growth in the transport sector.

While rail freight transport, air transport, maritime transport, and logistics cargo-handling remain in their respective orange or green category, their scores in 2023 are higher compared to 2022, indicating that these sub-sectors have become more restrictive as trade restrictive measures outweigh trade liberalization measures.²⁹ Appendix A provides more information on specific score differences by sub-sector. It should also be noted that relative to trade liberalization measures observed between 2021 and 2022, trade liberalization measures between 2022 and 2023 have slowed down for all 10 sub-sectors. Appendix C illustrates how trade restrictive measures and trade liberalization measures both contributed to changes in score for each sub-sector.

Breaking down trade liberalization/restrictive measures by category and whether they were enacted in response to the COVID-19 pandemic showed the continued rollback of COVID-19 measures affecting the 10 sub-sectors between 2022 and 2023. These measures previously led to the suspension of multiple entry visa issuances, longer visa processing times, and increased costs of obtaining visas, among others. This rollback is consistent with the earlier observation that APEC economies have removed all border requirements put in place during the pandemic.

The rollback is certainly welcome as it is reflective of the return to pre-pandemic normalcy. At the same time, it brings out the fact that the trade liberalization observed between 2022 and 2023 (as well as between 2021 and 2022 in many sub-sectors) was mostly contributed by the rollback of COVID-19 measures. Indeed, taking out these COVID-19 trade liberalization measures showed that economies collectively introduced more non-COVID-19 trade restrictive measures relative to trade liberalization measures between 2022 and 2023. Depending on the sub-sectors, these trade restrictions affected foreign entry, competition and/or led to other discriminatory measures.

Depending on the sub-sector, the top two categories of restrictions could be restrictions on foreign entry, restrictions to movement of people, barriers to competition, and/or regulatory transparency. Appendix B provides more information for each sub-sector. As an illustration, the top two categories for maritime transport were restrictions on foreign entry, such as restrictions on the type of shares or bonds held by foreign investors or that foreign-flagged ships are partially excluded from cabotage, and restrictions to movement of people (e.g., labour market tests or similar economic considerations for intra-corporate transferees, absence of laws or regulations to establish a process for recognizing qualifications gained abroad).

Another illustration is for courier, where restrictions on foreign entry (e.g., presence of foreign equity limit, restrictions on cross-border mergers and acquisitions) and barriers to competition, such as a government overruling the decision of a regulator or imposing minimum capital

²⁸ Note that based on the latest data provided by the OECD, which covers 2019-2023, the 2022 APEC Index scores for air transport and maritime transport place these sub-sectors in the green category, while the courier sub-sector is placed in the orange category (instead of the red category as reflected in the first pandemic recovery report). The 2022 APEC Index scores for road freight transport places the sub-sector in the green category (instead of the orange category as reflected in the first pandemic recovery report).

²⁹ Trade restrictions and liberalizations refer to those that lead to a change in score. There may be trade restrictions and liberalization that do not lead to a change in score for two reasons: (1) measures still fall within the range of the existing score (e.g., as the cut-off for visa processing time is 10 days, any time above 10 days will be scored as 1 even if there is a reduction from 15 days to 12 days); and (2) interactions between measures (i.e., measures have changed but there are other measures that lead to the former still having the same score).

requirements, are the topmost categories. Meanwhile, the top two categories for logistics freight forwarding, logistics customs brokerage, and logistics storage and warehouse are restrictions on foreign entry and regulatory transparency. Examples of the former are requiring local presence for cross-border supply and licenses that are subject to quotas and/or an economic needs test, while examples of the latter are having no provisions for visas on arrival, having no provisions of visa exemptions for temporary entry/transit of crew, and providing visa durations of less than three months for crew.

Compared to the 2022 APEC Index, the top two categories of restrictions have remained the same in the 2023 APEC Index for nine sub-sectors, while one of the top two categories for road freight transport has changed from regulatory transparency to restrictions to movement of people. Despite this constancy in terms of top categories of restrictions, the analysis shows that the contribution of restrictions on foreign entry to the overall 2023 score has increased relative to that of the 2022 score across all sub-sectors, some by more than one percentage point. Economies may therefore wish to focus on tackling restrictions affecting foreign entry in these sub-sectors. At the same time, noting the interlinkages between measures and the fact that different agencies could be overseeing the implementation of these measures, it is important that economies do not lose sight of the value of a holistic approach in overcoming restrictions on services trade. For example, it is important to complement efforts to increase the foreign equity limit with those related to the recognition of foreign qualifications and visas.

3.4 OTHER BUSINESS SERVICES

Analysis of the WTO Secretariat's compilation on COVID-19 measures and the compilation for the Trade Policy Review Body

The WTO Secretariat's compilation on COVID-19 measures did not show any measures that are specific to the trade in other business services. Meanwhile the latest compilation for the Trade Policy Review Body (i.e., mid-October 2022 to mid-October 2023) showed three measures affecting other business services. They include those aimed at supporting innovation, facilitating research and development and improving intellectual property rights protection; the provision of a new regulatory regime for the accounting profession; and the introduction of a system of joint corporations consisting of both attorneys-at-law and registered foreign lawyers that provide full legal services.

Analysis of the APEC Index

As was the case for the section on transport (including logistics-related services), the 2022 and 2023 APEC Index scores for other business services³⁰ is categorized into red, orange or green. Table 3 shows that all four sub-sectors have remained in the orange category, that is, the 2022/2023 APEC Index score was less restrictive than the average of the 2020 and the 2021 APEC Index scores but more restrictive than the pre-pandemic 2019 score.³¹

³⁰ Under this category, the APEC Index covers only four sub-sectors, namely: legal services (SJ211), accounting services (SJ212), architectural services (SJ311), and engineering services (SJ312). These are based on the concordance table linking the APEC Index and the EBOPS 2010 classification. It should be acknowledged that a significant share of sub-sectors within this category would be challenging to monitor, particularly on the policy front.

³¹ Note that based on the latest data provided by the OECD, which covers 2019-2023, the 2022 APEC Index score for architecture puts the sub-sector in the orange category (instead of the green category as reflected in the first pandemic recovery report).

Relative to the 2022 scores, the 2023 scores for all four sub-sectors are lower, indicating that these sectors have become less restrictive as measures liberalizing trade outweigh measures restricting trade. At the same time, it should be noted that compared to measures liberalizing trade observed between 2021 and 2022, measures liberalizing trade between 2022 and 2023 have slowed down for the four sub-sectors. Indeed, while commendable, efforts made by economies were not sufficient to move the four sub-sectors to the green category, where an APEC Index score is less restrictive than the pre-pandemic 2019 score.

Similar to the transport sub-sectors, the disaggregation of trade liberalization/restrictive measures by category and whether they were enacted in response to the COVID-19 pandemic showed the continued rollback of COVID-19 measures affecting these four sub-sectors between 2022 and 2023. However, it also shows that trade liberalization observed between 2022 and 2023 (and between 2021 and 2022) was mainly contributed by the rollback of COVID-19 measures. Putting aside these COVID-19 trade liberalization measures showed that economies collectively introduced more non-COVID-19 trade restrictive measures relative to trade liberalization measures between 2022 and 2023. Across the sub-sectors, these trade restrictions affect foreign entry.

The top two categories of restrictions affecting all four sub-sectors are restrictions on foreign entry and restrictions to movement of people. Compared to the 2022 APEC Index, the top two categories of restrictions reflected in the 2023 APEC Index have remained the same for the four sub-sectors, except architecture where regulatory transparency was among the top two categories in 2022. Examples of restrictions on foreign entry are the presence of a foreign equity limit and that commercial presence is required in order to provide cross-border services, while examples of restrictions to movement of people are nationality or citizenship required for license to practice and the absence of laws or regulations to establish a process for recognising qualifications gained abroad. The increased contribution of restrictions on foreign entry to the overall 2023 relative to 2022 score indicates that economies may wish to focus on tackling this category of restrictions. Yet, it remains important that economies recognize the value of a holistic approach in overcoming services trade restrictions.

Table 3. Summary of sectoral analysis related to other business services covered by the APEC Index

Sector	Category classification of the 2022 APEC Index score	Category classification of the 2023 APEC Index score	Status changes relative to the average APEC Index Score in 2022	Slower trade liberalization in 2023 relative to 2022	Continued rollback of COVID-19 measures	Introduction of more non-COVID-19 trade restrictive measures relative to trade liberalization measures between 2022 and 2023	Top two categories of restrictions in the 2023 APEC Index score				
							A	B	C	D	E
Accounting	■ Orange	■ Orange	No change	Yes	Yes	Yes	1	2			
Architecture	■ Orange	■ Orange	No change	Yes	Yes	Yes	1	2			
Engineering	■ Orange	■ Orange	No change	Yes	Yes	Yes	1	2			
Legal	■ Orange	■ Orange	No change	Yes	Yes	Yes	1	2			

Note: (1) category classification of the 2022/2023 APEC Index score: ■ Green – the 2022/2023 APEC Index score is lower than the pre-pandemic 2019 score; ■ Orange – the 2022/2023 APEC Index score is lower than the average of the 2020 and the 2021 APEC Index scores but higher than the pre-pandemic 2019 score; and ■ Red – the 2022/2023 APEC Index score is higher than the average of the 2020 and the 2021 APEC Index scores; (2) Category of restrictions in 2023 APEC Index score: A – Restrictions on foreign entry; B – Restrictions to movement of people; C – Other discriminatory measures; D – Barriers to competition; E – Regulatory transparency.

Source: APEC PSU compilation based on data from the APEC Index and OECD.

4. CONCLUDING REMARKS: LEVERAGE THE ASCR TO MAKE MEANINGFUL RECOVERY

This report has shown that APEC is seeing a resurgence in commercial services trade. Indeed, after the region's full recovery in 2022, APEC trade in commercial services continued growing to USD 5.4 trillion in 2023. Similar developments have been observed for the sectors being monitored in Section 2. For instance, APEC trade in transport services has also continued to grow since its full recovery in 2021, while APEC trade in other business services, which did not experience a fall during the pandemic, expanded further to USD 0.41 trillion in 2023H1. In contrast to these two, however, is the travel services sector. Latest data suggests that APEC trade in travel services remains partially recovered, although a full recovery may happen soon.

Collective progress notwithstanding, APEC needs to ensure that no economy is left behind amid recovery continuing to be uneven across economies. The analysis provided in Section 3 has illustrated the pivotal role that government policies could play in influencing services trade recovery. Concerningly, APEC's regulatory environment for services trade remains more restrictive than its pre-pandemic level — accompanied by a worrisome trend of increasing restrictions for digital services trade. Given the influence of policies, APEC should be vigilant to prevent backtracking of progress made and redouble efforts in tackling trade restrictions. Even if economies decide to focus on specific policy categories, it is essential for policymakers to recognize the importance of holistic approaches in effectively navigating through these restrictions.

One holistic approach that APEC members can consider is to leverage the ASCR to make meaningful recovery in services trade. After all, this roadmap underscores APEC's commitment to facilitate services trade and investment and to enhance the competitiveness of the services sector in the region. A broad range of APEC-wide actions, both cross-cutting and sectoral, have been identified in the roadmap to motivate economies to work closely at a regional level ([APEC, 2016](#)). As an illustration, the APEC wide-action #2 could lead to more recognition of overseas qualifications and potentially improve cross-border mobility for professionals, while the APEC wide-action #4 could facilitate the application of good practices in the development of domestic regulations.

Additionally, APEC members can capitalize on the efforts undertaken in related plans and blueprints. For instance, the APEC wide-action #5 could be leveraged to encourage the inclusion of more economy-level initiatives and actions that are specific to the services sector under the ambit of the Enhanced APEC Agenda for Structural Reform (EAASR). In the same way, both APEC-wide actions #11 and #12 called on economies to build from the existing work of the APEC Connectivity Blueprint 2015-2025 and of the APEC Tourism Strategic Plan, respectively. Furthermore, APEC members can draw insights from the ASCR Mid-Term Review report published in 2021 ([Wirjo and Carranceja, 2021](#)). For example, one recommendation highlighted the need to not just accelerate the implementation of specific APEC-wide actions, but also to update set targets and outputs.

Nearing the ASCR's culmination in 2025, these actions, if followed through, could go a long way in furthering the recovery of the travel sector and bring transport (including logistics-related services) and other business services sectors to greater heights.

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APPENDIX

Appendix A. Average APEC Index score and status category changes in 2023, by sector

Sector	Average APEC Index score		Score changes relative to 2022	Status category		Status changes relative to 2022
	2022	2023		2022	2023	
Air transport	0.4073	0.4084	+ 0.0011	■ Green	■ Green	No change
Maritime transport	0.3020	0.3030	+ 0.0010	■ Green	■ Green	No change
Road freight transport	0.2266	0.2216	- 0.0051	■ Green	■ Green	No change
Rail freight transport	0.4227	0.4249	+ 0.0022	■ Orange	■ Orange	No change
Courier	0.3344	0.3359	+ 0.0015	■ Orange	■ Red	Worsened
Logistics cargo-handling	0.3089	0.3095	+ 0.0006	■ Green	■ Green	No change
Logistics storage and warehouse	0.2875	0.2865	- 0.0010	■ Green	■ Green	No change
Logistics freight forwarding	0.2407	0.2370	- 0.0037	■ Green	■ Green	No change
Logistics customs brokerage	0.3219	0.3198	- 0.0021	■ Orange	■ Orange	No change
Distribution	0.2288	0.2282	- 0.0006	■ Green	■ Green	No change
Accounting	0.3752	0.3747	- 0.0005	■ Orange	■ Orange	No change
Architecture	0.2708	0.2603	- 0.0105	■ Orange	■ Orange	No change
Engineering	0.2331	0.2266	- 0.0064	■ Orange	■ Orange	No change
Legal	0.3991	0.3983	- 0.0008	■ Orange	■ Orange	No change

Note: Category classification of the 2022/2023 APEC Index score: ■ Green – the 2022/2023 APEC Index score is lower than the pre-pandemic 2019 score; ■ Orange – the 2022/2023 APEC Index score is lower than the average of the 2020 and the 2021 APEC Index scores but higher than the pre-pandemic 2019 score; and ■ Red – the 2022/2023 APEC Index score is higher than the average of the 2020 and the 2021 APEC Index scores.

Source: APEC PSU calculation based on data from the APEC Index.

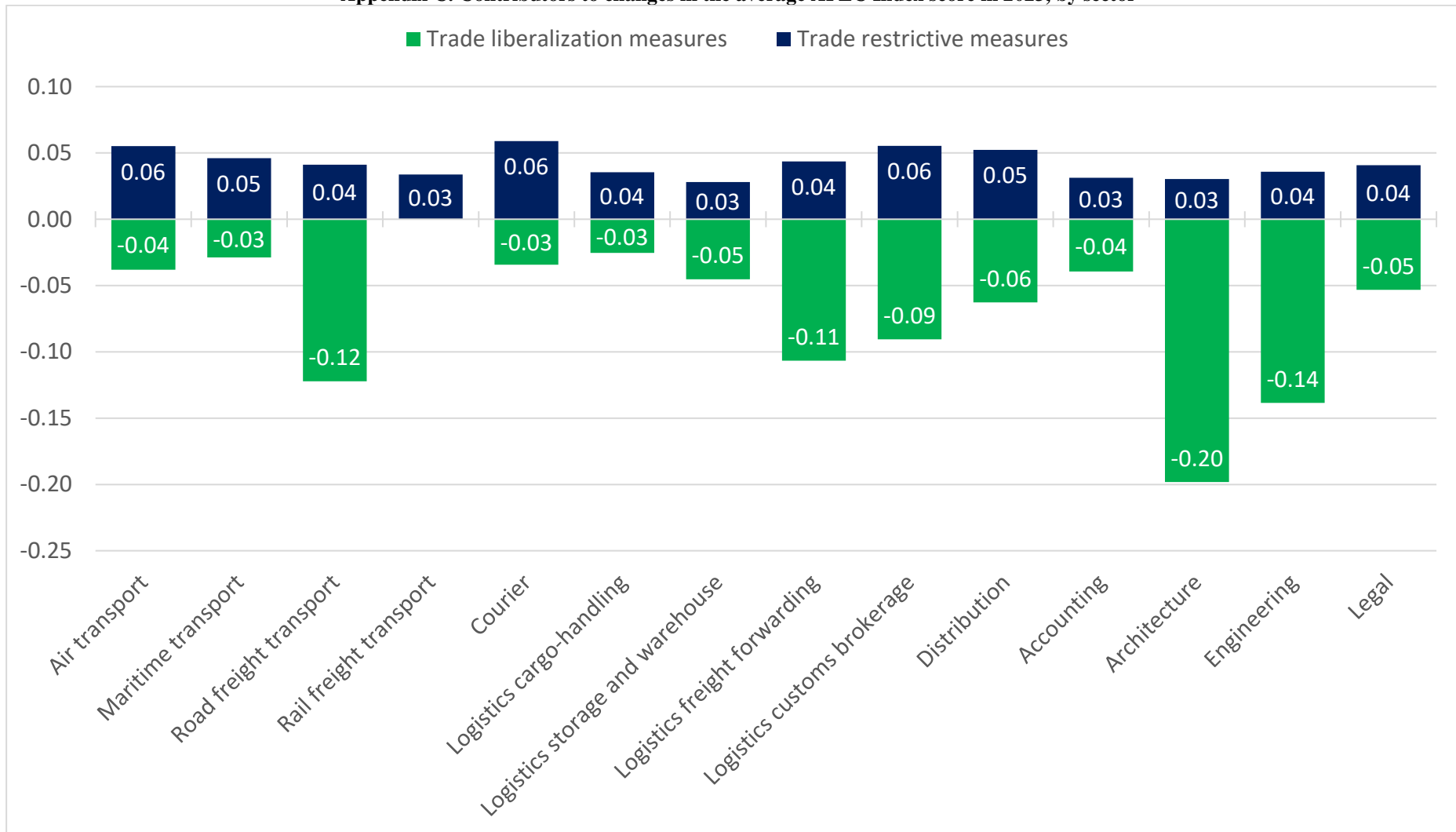
Appendix B. Contribution of policy categories to the average APEC Index scores in 2023 and percentage point changes relative to 2022, by sector (percent and percentage points)

Sector	A	B	C	D	E
Air transport	56.50 (▲ 0.53pp)	4.94 (▼ 0.01pp)	5.51 (▼ 0.01pp)	30.37 (▲ 0.08pp)	2.69 (▼ 0.59pp)
Maritime transport	55.96 (▲ 0.71pp)	22.55 (▼ 0.08pp)	9.55 (▼ 0.03pp)	8.59 (▼ 0.03pp)	3.34 (▼ 0.57pp)
Road freight transport	41.80 (▲ 2.07pp)	16.57 (▲ 0.37pp)	14.34 (▲ 0.32pp)	11.35 (▲ 0.25pp)	15.94 (▼ 3.01pp)
Rail freight transport	52.57 (▲ 0.25pp)	11.79 (▼ 0.06pp)	5.67 (▼ 0.03pp)	25.43 (▼ 0.13pp)	4.55 (▼ 0.03pp)
Courier	54.03 (▲ 0.85pp)	8.31 (▼ 0.04pp)	9.26 (▼ 0.04pp)	22.16 (▼ 0.10pp)	6.24 (▼ 0.67pp)
Logistics cargo-handling	44.83 (▲ 0.59pp)	18.42 (▼ 0.04pp)	11.32 (▼ 0.02pp)	10.39 (▼ 0.02pp)	15.05 (▼ 0.51pp)
Logistics storage and warehouse	37.71 (▲ 0.67pp)	13.98 (▲ 0.05pp)	7.61 (▲ 0.03pp)	12.19 (▲ 0.04pp)	28.52 (▼ 0.78pp)
Logistics freight forwarding	34.66 (▲ 1.60pp)	24.07 (▲ 0.37pp)	4.24 (▲ 0.07pp)	2.29 (▲ 0.04pp)	34.75 (▼ 2.07pp)
Logistics customs brokerage	50.80 (▲ 1.34pp)	8.52 (▲ 0.06pp)	8.31 (▲ 0.05pp)	3.40 (▲ 0.02pp)	28.97 (▼ 1.47pp)
Distribution	55.46 (▲ 1.03pp)	13.24 (▲ 0.03pp)	9.47 (▲ 0.17pp)	14.34 (▲ 0.27pp)	7.48 (▼ 1.50pp)
Accounting	47.04 (▲ 0.58pp)	31.88 (▲ 0.04pp)	10.04 (▲ 0.01pp)	2.35 (no change)	8.70 (▼ 0.64pp)
Architecture	34.81 (▲ 2.05pp)	25.51 (▲ 0.99pp)	14.19 (▲ 0.55pp)	4.67 (▲ 0.18pp)	20.82 (▼ 3.77pp)
Engineering	39.87 (▲ 2.06pp)	38.62 (▲ 0.73pp)	9.32 (▲ 0.26pp)	3.48 (▲ 0.10pp)	8.70 (▼ 3.15pp)
Legal	68.03 (▲ 0.77pp)	20.52 (▲ 0.04pp)	4.59 (▲ 0.01pp)	2.27 (no change)	4.59 (▼ 0.82pp)

Note: Percentage point changes relative to the 2022 average APEC Index score are in parentheses. A – Restrictions on foreign entry; B – Restrictions to movement of people; C – Other discriminatory measures; D – Barriers to competition; E – Regulatory transparency.

Source: APEC PSU calculation based on data from the APEC Index.

Appendix C. Contributors to changes in the average APEC Index score in 2023, by sector



Note: Rail freight transport recorded a very small trade liberalization of 0.000193, which is not visible in the figure.

Source: APEC PSU calculation based on data from the APEC Index.