

Issue Paper



Asia-Pacific Labor Policies

The Anchoring Effect of the Anglo-American Trade Agreement: Implications for Global Trade Order

- Shunyo Liao, Research Fellow, CTPECC

Services Reform in APEC: Opportunities for The New Services Agenda

- Timothy Lawler, Policy and Research Advisor, The Australian APEC Study Centre

Advancing Digital Transformation Across the APEC Region: Benefits and Impacts for Workers

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Issue Paper

CTPECC holds a number of forums and seminars annually based on current issues in the global political economy. Inspired by these events, the *CTPECC Issue Paper* seeks to address opportunities and challenges in future regional development. *Issue Paper* also provides valuable information and perspectives, delivering the insightful views of experts.

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Editorial

The Anchoring Effect of the Anglo-American Trade Agreement: Implications for Global Trade Order

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Britain: The Alpha and Omega of Trade Deals

To mitigate high reciprocal tariffs imposed by the United States on British automotive and steel products while simultaneously expanding market access for American agricultural products in the UK, the United States and United Kingdom concluded the Economic Prosperity Deal (EPD) on May 8, 2025. This agreement represents the first completed bilateral negotiation since President Trump's April 2 announcement of a global reciprocal tariff policy, bringing an anchoring effect for tariff standards applicable to other 150 nations. Notably, no country will receive preferential treatment superior to that accorded to the United Kingdom, while the United States has abandoned protracted bilateral negotiations in favor of unilaterally announcing reciprocal tariffs for individual countries.¹

Despite the United Kingdom's longstanding role as America's political ally, diplomatic partner, and battlefield companion, combined with its trade deficit with the United States, most British goods remain subject to a minimum tariff threshold of 10%—significantly higher than the 2% rate in 2023—which may be viewed as Trump's bottom line. Concurrently, the overarching objective of reciprocal tariffs has gradually crystallized after nearly two months of fluctuation: rebalancing of the US current account.

1. Jennifer A. Dlouhy, *Trump Says US to Set Tariff Rates for Other Nations in Weeks*, Fri, May 16, 2025, <https://finance.yahoo.com/news/trump-says-us-set-tariff-091900283.html>



The strategic timing of this agreement cannot be understated. As the inaugural bilateral arrangement under Trump's new tariff regime, it establishes critical precedents that will influence all subsequent negotiations. The EPD effectively creates a "floor" for future trade discussions, ensuring that no trading partner can reasonably expect more favorable terms than those granted to America's closest ally. This positioning grants the United Kingdom both privilege and burden—privilege in securing early access to American markets, but burden in accepting terms that may be less favorable than traditional free trade arrangements.

Agreement Framework: Position Taking and Block Building

According to the White House announcement,² the agreement encompasses several key provisions:

1. Automotive and Steel-Aluminum Tariff Adjustments

The United States reduced import tariffs on British automobiles to 10%, limited to an annual quota of 100,000 vehicles. This concession represents a substantial departure from previous tariff levels while maintaining quantitative restrictions that protect American domestic production. The quota mechanism ensures that British automotive exports receive preferential access without overwhelming US markets, creating a managed competition environment that balances bilateral interests.

2. Agricultural Market Access

The United Kingdom eliminated its 20% tariff on American beef imports and established a new duty-free quota of 13,000 metric tons as part of bilateral trade concessions. In reciprocity, the United States committed to allocating an equivalent quantity from its "other countries" beef tariff quota to the United Kingdom, ensuring British export interests remain uncompromised. This agricultural component addresses a longstanding irritant in trans-Atlantic trade relations, where European restrictions on American agricultural products have persistently complicated broader economic cooperation.

3. Supply Chain Security and Industrial Security Assessment

The agreement emphasizes bilateral supply chain security in critical industries including steel, aluminum, and pharmaceuticals. The United Kingdom must ensure that relevant products exported to

2. *General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal*, May 8, 2025, <https://www.whitehouse.gov/briefings-statements/2025/05/general-terms-for-the-united-states-of-america-and-the-united-kingdom-of-great-britain-and-northern-ireland-economic-prosperity-deal/>



the United States comply with American security standards, particularly regarding production facility ownership and supply chain transparency. These provisions reflect growing American concerns about economic vulnerability and strategic dependence on potentially unreliable suppliers, extending security considerations into traditionally commercial domains.

4. Agricultural and Food Safety Standards

Imported food and agricultural products must adhere to importing country sanitary and phytosanitary (SPS) standards and other mutually agreed standards. While seemingly technical, these requirements carry significant implications for regulatory sovereignty and post-Brexit UK trade strategy, potentially constraining future British regulatory divergence from American standards.

Negotiation Dynamics: Balancing Pace and Outcomes

In the tension between negotiation pace and outcomes, Trump adopted a rapid "coercive diplomacy" strategy, utilizing unilateral imposition of high tariffs as leverage to compel trading partners to the negotiating table. Under the logic of "tariffs as punishment, agreements as relief," negotiation timeframes were severely compressed, with political propaganda effects taking precedence over precision in tariff standards and agreement clauses. The United Kingdom employed a "strategic accommodation" approach, cooperating with Trump's expedited negotiation timeline while maintaining principled positions on critical details. Significantly, both parties agreed that the agreement lacks legal enforceability.

The interaction patterns demonstrated in this agreement reveal fundamentally different negotiation logics: the United States pursued rapid, efficient, power-based negotiations, while the United Kingdom maintained principled positions through indirect tactical maneuvering. The negotiation outcome represents not merely a compromise between bilateral interests but will serve as a reference point for other nations observing and responding to "Trumpian tariff restructuring" strategies.

Unresolved Issues: Specific Quotas and Complementary Packages



Despite tariff concessions and quota arrangements for sensitive items including automobiles, steel-aluminum, and agricultural products, substantial gaps remain at the implementation level. For instance, while both parties agreed to adopt most-favored-nation quota systems for steel and aluminum trade, specific quota quantities and allocation mechanisms remain unpublished, creating uncertainty for British exporters regarding future strategies. Questions persist regarding compliance with American supply chain transparency and national security standard requirements, while pharmaceuticals represent a sector where both parties seek expedited negotiations for preferential treatment, contingent upon US investigative findings and British compliance with supply chain security requirements.

Furthermore, provisions concerning digital trade, paperless commerce, commodity digitalization processes, and enhanced economic security cooperation require further bilateral consultation. These omissions reflect the rushed nature of negotiations and the prioritization of political announcement over technical precision.

The absence of detailed implementation frameworks creates significant business uncertainty. British manufacturers cannot fully assess the commercial viability of expanded American market access without knowing precise quota allocations, timing mechanisms, and administrative procedures. Similarly, American agricultural exporters face uncertainty about British regulatory compliance requirements and inspection procedures. These gaps necessitate ongoing technical negotiations that may prove more contentious than the original political agreement, as implementation details often involve complex domestic regulatory and industry interests that resist easy compromise.

The pharmaceutical sector exemplifies these challenges, where both nations seek competitive advantages in high-value medical technology and drug manufacturing. American insistence on supply chain transparency potentially conflicts with British pharmaceutical companies' commercial confidentiality requirements, while British demands for regulatory recognition may clash with American safety and security protocols developed for domestic producers.

Paradigm Shift: From Liberalization to Reliberalization

In aggregate terms, the strategic significance of the US-UK agreement lies not in tariff concessions or trade volume increase, but in the structural transformation it engenders: a shift from free trade to



secured trade, from market openness to risk mitigation, and from multilateral mechanisms to bilateral frameworks. Should this trend continue to expand, it will inevitably challenge the WTO's thirty-year multilateral most-favored-nation principle, thereby subverting existing trade orders. From a global political economy perspective, this paradigmatic shift—resulting from a scientific revolution born of anomaly—has begun to reshape the twenty-first century global trade order. The agreement establishes the United Kingdom as both the origin point of this new bilateral approach and potentially its terminus, should other nations resist similar arrangements.

This transformation signals the emergence of what might be termed "conditional interdependence," where economic integration proceeds only within carefully managed security parameters. Traditional liberal trade theory assumed that increased economic exchange would naturally promote political cooperation and reduce conflict potential. However, recent experiences with supply chain vulnerabilities, technology transfer concerns, and economic coercion have fundamentally challenged these assumptions. The US-UK agreement represents an early attempt to reconcile the efficiency benefits of international trade with strategic autonomy requirements, creating new models for managed economic integration.

The broader implications extend far beyond bilateral relations. European Union member states now face pressure to secure similar arrangements with the United States, potentially fragmenting European unity on trade policy. Asian economies must recalibrate their export strategies in light of American willingness to use tariffs as diplomatic instruments. Developing nations may find themselves increasingly marginalized as major powers prioritize trade relationships with strategic allies over global development considerations. The result could be the emergence of competing trade blocs organized around dominant powers and their preferred partners, fundamentally altering the architecture of global commerce.



1. Introduction

As global trade becomes increasingly multifaceted and interdependent, the Asia-Pacific region remains at the forefront of shaping the future of economic governance and cooperation. In this issue of Issue Paper, we spotlight three timely and thought-provoking articles that explore the evolving contours of trade, services, and digital transformation within the APEC framework.

Our first feature, *The Anchoring Effect of the Anglo-American Trade Agreement: Implications for Global Trade Order*, offers a compelling analysis of how bilateral agreements between major economies can exert a stabilizing influence on multilateral trade norms. It underscores the strategic significance of such agreements in guiding global expectations and behaviors.

The second article, *Services Reform in APEC: Opportunities for The New Services Agenda*, turns our attention to the growing prominence of services in the global economy. It identifies critical avenues for reform and collaboration, emphasizing the potential for innovation and growth in sectors such as digital and professional services.

Finally, *Advancing Digital Transformation Across the APEC Region: Benefits and Impacts for Workers* examines the intersection of technology and labor. It provides a nuanced look at how digitalization is reshaping employment across member economies and calls for inclusive strategies to ensure that workers are not left behind in this transition.

Together, these contributions offer a panoramic view of the challenges and opportunities facing APEC economies today. They invite readers to consider how strategic policy choices, regional cooperation, and technological innovation can collectively build a more resilient, inclusive, and forward-looking economic order.



2-1. Services Reform in APEC: Opportunities for The New Services Agenda

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The Asia-Pacific Economic Cooperation (APEC) is in a consequential year for services reform as “The APEC Services Competitiveness Roadmap” (ASCR) expires in 2025. The roadmap developed a strategic, long-term plan with mutually agreed targets to unlock the full potential of the services sector in APEC. APEC leaders endorsed the ASCR and its accompanying Implementation Plan in 2016, recognising both “the important role that services will play in the growth of our region over the coming decade” and the “need to address barriers” to “enhance the competitiveness of the services agenda.”¹

Over the past decade, APEC economies have made significant strides in advancing this agenda. As 2025 progresses, it presents a crucial opportunity to reflect on the progress achieved in services reform, the challenges faced, and the opportunities to develop a new services agenda.

This article begins by briefly examining the ASCR, including the targets it set and the progress that has been made, as well as the broader agenda for services and structural reform in APEC. It then explores three areas of the services agenda: mutual recognition agreements (MRAs) and professional services, gender and trade in services, and digitally delivered services. The article concludes by summarizing this material and identifying key opportunities to advance and revitalize the services agenda within APEC.

1. Annex B: APEC Services Competitiveness Roadmap (2016-2025). (2015). https://www.apec.org/meeting-papers/leaders-declarations/2016/2016_aelm/2016_annex-b



The APEC Services Competitiveness Roadmap

The ASCR set three overarching targets:²

- Target 1: Promote openness and predictability in access to services markets by reducing restrictions on services trade and investment
- Target 2: Increase the share of services exports from APEC economies
- Target 3: Increase trade in services in the APEC region

APEC Leaders emphasized that achieving these targets would require a “range of enabling factors” to create “the best possible enabling environment for services competitiveness both at the APEC-wide and individual economy basis.”³ To support the achievement of these targets, the ASCR included 19 APEC-wide actions, each tied to a set of quantitative indicators to guide and measure progress. The APEC Group on Services (GOS) is responsible for monitoring the progress of the ASCR.

This was an ambitious agenda, recognising both the potential for untapped growth in services in the APEC region and the barriers that APEC needed to overcome, at a regional and individual economy level, to unlock this potential.

The 2021 mid-term review of the ASCR acknowledged that progress on the first target, improving openness and predictability, was uneven across sectors.⁴ A presentation by the APEC Policy Support Unit at the May 2025 APEC Senior Officials Meeting on the final review of the ASCR concluded that progress on each target had been mixed. APEC has made only modest progress toward Target 1, while no progress was reported on Target 2, and progress on Target 3 remains uneven.⁵

This slow progress underscores the need for deeper structural reform in the services sector to remove barriers to services growth, a theme explored further in the section below.

2. APEC Policy Support Unit. (2017). APEC Services Competitiveness Roadmap (ASCR) Baseline Indicators. https://www.apec.org/docs/default-source/publications/2017/11/apec-services-competitiveness-roadmap-baseline-indicators/217_psu_ascr-baseline-

3. Annex B: APEC Services Competitiveness Roadmap (2016-2025). (2015). https://www.apec.org/meeting-papers/leaders-declarations/2016/2016_aelm/2016_annex-b

4. APEC Policy Support Unit. (2021). APEC Services Competitiveness Roadmap Mid-term Review. https://www.apec.org/docs/default-source/publications/2021/10/apec-services-competitiveness-roadmap-mid-term-review/221_psu_apec-services-competitiveness-roadmap-mid-term-review.pdf?sfvrsn=861e0b45_1

5. APEC Policy Support Unit. (2025). APEC Services Competitiveness Roadmap Final Review: Preliminary Findings and Insights



APEC Services and Structural Reform

APEC's efforts at services reform are intertwined with its broader structural reform agenda to promote open services regulation and policy reform. In 2015, APEC launched the Renewed APEC Agenda for Structural Reform (the third iteration of this structural reform agenda) to promote concrete reforms among APEC economies in response to uneven economic growth and widening income inequality. Building on this, in June 2021, APEC's Economic Committee was tasked with coordinating the Enhanced APEC Agenda for Structural Reform, which placed particular emphasis on reforms in the services sector.⁶

The mid-term review of the ASCR called for renewed focus on services regulation and policy reform. Action 5 of the ASCR is focused on achieving this objective. At the core of this is the agreement that it is key to promote structural reform in the services sector. Given that the services sector accounts for more than half of APEC's GDP, its competitiveness and efficiency are critical levers for driving regional economic growth.⁷

In support of this agenda, with funding from the Australian government, the Australian APEC Study Centre at RMIT University has been leading a cross-fora project focused on services and structural reform. The Services and Structural Reform in APEC website created for this project features contributions from structural reform experts across the Asia-Pacific and published research such as an APEC Policy Brief on the "Drivers of Services Competitiveness and the Contribution of Structural Reform."⁸

Three key areas where ongoing work is advancing services reform and competitiveness are MRAs and professional services, gender and trade in services, and digitally delivered services, each explored in more detail below.

6. Annex 1 - Enhanced APEC Agenda for Structural Reform. (2021). https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/structural-reform/2021_structural/annex-1

7. APEC Policy Support Unit. (2021). APEC Services Competitiveness Roadmap Mid-term Review. https://www.apec.org/docs/default-source/publications/2021/10/apec-services-competitiveness-roadmap-mid-term-review/221_psu_apec-services-competitiveness-roadmap-mid-term-review.pdf?sfvrsn=861e0b45_1

8. APEC Economic Committee and Group on Services. (2024). Drivers of Services Competitiveness and the Contribution of Structural Reform. https://apecservicesr.com/wp-content/uploads/2024/08/224_ec_gos_apec-policy-brief-drivers-of-services-competitiveness-and-the-contribution-of-structural-reform.pdf



Mutual Recognition Agreements and Professionals Services

Action 2 of the ASCR focuses on “Supporting cross-border mobility for professionals ... to facilitate MRAs.” APEC has long recognized that professional mobility is essential for trade and economic growth. However, significant barriers remain, particularly due to variances in licensing and qualification requirements across economies, which can hinder the delivery of professional services.

There has been longstanding agreement in APEC that MRAs help alleviate these barriers and problems. APEC has pursued regional MRAs for a long time. For example, the APEC Engineers and Architects agreements are APEC wide MRAs that most economies have signed onto.⁹

Australia has consistently played a leading role in advancing MRAs within APEC, driven by its goal of facilitating trade. One notable contribution is the APEC MRA inventory, an Australian initiative that compiles all known MRAs across APEC economies into a single, comprehensive resource.

The Australian government also supports a broader APEC MRA project, managed by the Australian APEC Study Centre at RMIT University. Various resources have been developed as a part of this, including a toolkit for MRAs and the APEC Professional Services and Mutual Recognition Community of Practice, among a suite of other activities funded by APEC to promote MRAs in the region.

However, barriers still exist in the services sector. MRAs across the region are not consistent in terms of membership, coverage, or operation. The current environment is raising challenges for professional services in terms of how they are delivered, how to account for AI, and how to account for teams delivering professional services.

Critical questions remain: How do we measure the impacts of MRAs? How do we know they are working? How can APEC and its associated organizations better engage with governments and professional bodies, who are ultimately responsible for creating MRAs? These issues tie directly into APEC’s broader services and structural reform agenda, as does the issue of gender and trade in services discussed below.

9. APEC Group on Services. (2024). Mutual Recognition Agreements for Professional Qualifications and Licensure in APEC: Experiences, Impediments and Opportunities. https://www.apec.org/docs/default-source/publications/2024/2/224_gos_mutual-recognition-agreements-for-professional-qualifications-and-licensure-in-apec.pdf



Gender and Trade Services

Gender and trade in services has emerged as an increasingly important area within the border services agenda. Ensuring that trade in services benefits women as both workers and entrepreneurs is critical to achieving inclusive economic growth. The APEC Putrajaya vision recognises the importance of inclusive economic growth, a vision reconfirmed through the La Serena Roadmap which seeks to advance women's economic integration in APEC from 2019-2030.

Women tend to work relatively more in services; in APEC economies, a higher proportion of women than men are employed in the services sector. Furthermore, women are overrepresented in low-paid service jobs and underrepresented in high-paid services jobs.

A September 2023 APEC Group on Services Policy Brief on "Gender and Services Trade in the APEC Region" made several recommendations to unlock the potential of services trade in contributing to inclusive and sustainable growth. These include promoting non-discrimination for women's participation in services when negotiating free trade agreements, using clear and binding language for gender commitments, improving access to digital technology and digital infrastructure, and conducting further research into services trade.

Women are significantly underrepresented in technology related jobs, putting them at a distinct disadvantage for roles in the digital services sector. It is particularly important to address this as the digital services sector is growing rapidly globally and in APEC ¹⁰, as discussed below.

Digitally Delivered Services and the New Services Agenda

As of 2023, over 60% of services trade globally was conducted in digital form. ¹¹ Digital trade is increasingly recognized as a critical driver of growth across APEC economies, particularly post Covid-19. Over recent years the focus has turned to creating an enabling environment for digital services in

10. APEC Group on Services. (2023). Gender and Services Trade in the APEC Region: Policy Brief. https://apec.org/docs/default-source/publications/2023/9/223_gos_gender-and-services-trade-in-apec-region.pdf?sfvrsn=a41ffc81_2

11. APEC Group on Services. (2023). Gender and Services Trade in the APEC Region: Policy Brief. https://apec.org/docs/default-source/publications/2023/9/223_gos_gender-and-services-trade-in-apec-region.pdf?sfvrsn=a41ffc81_2



APEC, in recognition that digital services trade is a core part of advancing the services agenda in the region. As a result, there has been a push to reduce controls on digital services, particularly through trade agreements which now include measures which address digital services in trade.¹²

The APEC Business Advisory Council (ABAC) has made substantial contributions to APEC's services agenda for more than a decade, including through policy development, review of the ASCR, and recommendations. ABAC has taken an active role in services reform, currently undertaking work on digitally delivered services and preparing recommendations for the new ASCR. Given the rapid expansion of digital services across the region, especially in business services and AI-enabled financial services, ABAC is placing increased emphasis on policy settings that support this growth.

A 2022 report for the APEC Economic Committee and Group on Services identified a set of factors driving participation in trade in digital services trade, including: fostering innovation ecosystems and investment in digital enablement, human capital, digital readiness and digital infrastructure, and digital regulatory regimes and openness.¹³ This was followed by a 2024 report that recommended initiating regulatory reform in digital regulations across APEC to increase regulatory consistency in order to boost trade and reduce trade barriers.¹⁴

The opportunities made possible through the boom in digital services emphasizes that the time for reform is now. Discussions in ABAC in 2025 have underscored the importance of promoting faster and cheaper digitally delivered services. Current trade rules must be updated to meet this quickly changing services landscape as trade restrictions are still very high and obstruct the potential of this sector.

12. Kristen Bondietti. (2018). Guiding frameworks for regulation of digital trade in services. <https://www.apec.org.au/digital-trade-frameworks>

13. APEC Policy Brief on EAASR and ASCR: Services Competitiveness and Structural Reform. (2022). https://www.apec.org/docs/default-source/publications/2022/12/apec-policy-brief-on-eaasr-and-ascr-services-competitiveness-and-structural-reform/222_ec_gos_apec-policy-brief-on-eaasr-and-ascr.pdf?sfvrsn=5cdc0567_2

14. APEC Economic Committee and Group on Services. (2024). Drivers of Services Competitiveness and the Contribution of Structural Reform. https://apecservicesr.com/wp-content/uploads/2024/08/224_ec_gos_apec-policy-brief-drivers-of-services-competitiveness-and-the-contribution-of-structural-reform.pdf



Conclusion

2025 marks an important opportunity to advance services reform within APEC. It offers a timely moment to reassess progress toward the three overarching targets and 19 APEC wide actions set out in 2016 in the ASCR. As emphasized, despite the efforts made, progress towards achieving these targets has been uneven.

A key opportunity lies in the development of a new ASCR, which should take into account lessons learned and set an ambitious agenda for services reform in APEC for the coming decade. APEC should look to build on the progress achieved and respond to transformations in key sectors, particularly digitally delivered services.

To realize the full potential of services reform, APEC must move beyond a business-as-usual approach and embrace the possibilities offered by a refreshed services agenda. This new agenda will be developed through 2025, with continued work led by ABAC. APEC should take notice and recognize that a bold and coordinated approach could unlock the next phase of regional services growth.



2-2. Advancing Digital Transformation Across the APEC Region: Benefits and Impacts for Workers

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Introduction

This paper briefly explores the positive and negative impacts of digital transformation on workers, as well as the human-centered approach to addressing these impacts. Specifically, advancing digitalization and tackling its associated impacts have been taken as APEC host year priorities since 2017. These issues have become much more prominent following the widespread adoption of AI in the workplace. For example, Korea, as the host economy of APEC 2025, takes “Connect, Innovate, and Prosper” as the host year priorities under the main theme of “Building a Sustainable Tomorrow”¹. By facilitating the priority areas of “innovate”, APEC member economies are expected to “adapt to digital transformation” and “harness the benefits of new technology such as AI”².

Although rapid innovation and the widespread application of digital technology have provided greater economic opportunities, the impacts of digital transformation are not always positive. Therefore, to better unleash the untapped economic potential in the digital age, this paper will discuss benefits of digital transformation together with its impacts on labor rights and worker welfare. Finally, this paper will introduce the human-centered approach advocated by the EU and APEC to address these impacts and enable people to seize economic opportunities in the digital age.

Benefits of Digital Transformation

Digital transformation has become a global trend, which is further accelerated following the

1. APEC (2025a), “APEC 2025 Korea”. <https://www.apec.org/2025-korea-priorities>

2. Ibid.



emergence of AI technologies. In general, digital transformation can refer to the process of utilizing digital tools and technology, such as AI, to modify business models, improve operating processes, or enhance customer experiences³. According to IDC's 2024 estimation, global spending on digital transformation is projected to grow rapidly from US\$2.5 trillion in 2024 to nearly US\$4 trillion by 2027, driven primarily by AI adoption and IT modernization⁴.

Numerous studies have underscored the potential benefits of digital transformation for businesses. In general, the benefits of digital transformation stem from enhanced innovation, increased productivity, improved business performance and customer experiences, as well as cost reductions through streamlined administrative and operational procedures⁵. The most apparent and tangible benefit is the increase of revenues, and there has been a survey indicated that firms with elevated digital maturity levels saw revenue gains approaching 445%⁶.

Moreover, by leveraging digital technology to enhance customer experiences, businesses can expect a 15% to 20% increase in customer satisfaction, while conversion rates and overall growth are estimated to rise by around 20%⁷. Successful digital transformation can also help businesses reduce costs related to human capital and operations by 20% to 40%⁸.

For workers, improved business performance and higher revenues often translate into increased income and greater job stability⁹. In addition, digital transformation would contribute to higher worker

3. Gartner (2025), "The CIO's Guide to Digital Transformation". <https://www.gartner.com/en/information-technology/topics/digital-transformation>

4. IDC (2024), "Worldwide Spending on Digital Transformation is Forecast to Reach Almost \$4 Trillion by 2027, According to New IDC Spending Guide, https://my.idc.com/getdoc.jsp?containerId=prUS52305724&utm_source=chatgpt.com

5. McKinsey (2020), "The imperatives for automation success", <https://www.mckinsey.com/capabilities/operations/our-insights/the-imperatives-for-automation-success>

6. Market.us Scoop (2025), "Digital Transformation Statistics 2025 By New Business, Operations, Process", <https://scoop.market.us/digital-transformation-statistics/>

7. McKinsey Digital (2020), "Service industries can fuel growth by making digital customer experiences a priority", <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/service-industries-can-fuel-growth-by-making-digital-customer-experiences-a-priority>

8. Ibid.

9. PwC (2025), "AI linked to a fourfold increase in productivity growth and 56% wage premium, while jobs grow even in the most easily automated roles", <https://www.pwc.com/gx/en/news-room/press-releases/2025/ai-linked-to-a-fourfold-increase-in-productivity-growth.html>



productivity by automating repetitive tasks, streamlining administrative procedures, and so on. For example, according to a survey conducted by the KPMG, 46% of financial services managers indicated that digital transformation had apparently boosted productivity of employees ¹⁰.

A more precise analysis of the contribution of digital transformation to worker productivity can be measured by the number of issues resolved by workers. Through this approach, research found that the adoption of AI in the workplace could boost workers' productivity by approximately 15% on average¹¹. With higher productivity, businesses can allocate the saved time and manpower toward innovation. This, in turn, would enhance business competitiveness in the market and further drive revenue growth. However, to fully realize the benefits of digital transformation, several challenges must be addressed.

Impacts of Digital Transformation on Workers

As previously mentioned, digital transformation has also brought about several challenges. The first and foremost challenge faced by workers would be technological unemployment, especially when they lack adequate skills. Taking Taiwan's labor market for instance, a survey conducted by Yes123 Job Bank found that many companies believe labor-intensive roles are most at risk, with 54.3% identifying ticket sellers, 53.6% pointing to call center agents, and 52.2% indicating assembly line workers as likely to be replaced¹². It is also noteworthy that this survey also revealed that knowledge-based professions such as translators (37.2%), journalists (36.3%), and bank clerks (35.2%) are also seen as increasingly vulnerable to AI adoption¹³.

Promoting reskilling and upskilling programs for workers would be feasible solutions to address technological unemployment. However, the widespread adoption of AI may contribute to job polarization, reflecting a trend in which employment increasingly shifts toward high- and low-wage occupations, while middle-skill jobs continue to decline¹⁴. Although it may be contentious to argue that

10. KPMG (2023), "KPMG Global Tech Report 2023". <https://kpmg.com/xx/en/our-insights/ai-and-technology/kpmg-global-tech-report-2023.html>

11. Erik Brynjolfsson et al. (2025), "Generative AI at Work", The Quarterly Journal of Economics, vol. 40:2, pp. 889-942.

12. Taipei Times (2024), "Taiwan companies see AI wiping out nearly one-third of jobs: survey", <https://www.taipeitimes.com/News/biz/archives/2024/06/27/2003819930>

13. Ibid.

14. Nir Jaimovich and Henry E. Siu (2018), "Job Polarization and Jobless Recovery", Working Paper of National Bureau of Economic Research, the United States of America, https://www.nber.org/system/files/working_papers/w18334/w18334.pdf



“AI is just going to replace everybody”¹⁵. it is noteworthy that there had been a reduction of entry-level positions in businesses including high-tech companies¹⁶.

Another contentious issue raised by digital transformation would be the utilization of digital technology, such as AI, in human resources management. The core concern in this regard is centered on the question of whether workers have fully acknowledged or agreed with how algorithms are used to evaluate their performances. One example is the strike launched by food delivery workers in Hong Kong in 2022. Couriers took to the streets in protest after the platform provider began to utilize Google Maps to calculate delivery distances, which could reduce their income¹⁷.

It is also notable that some companies have begun to utilize AI-powered systems to select and interview job seekers, which are believed to enhance the efficiency and objectivity of the recruitment process. However, developing effective selection criteria requires large volumes of data, and ensuring that this data is free from bias remains a significant challenge. One proposed solution is the enforcement of regular audits to detect and remove bias in AI-powered human resource management systems. In some cases, governments have introduced mandatory regulations, such as the enforcement of the Automated Employment Decision Tools (AEDT) Law in New York City, which requires businesses to conduct annual bias audits of such systems¹⁸.

Finally, it is notable that contentious issues including the collection of sensitive data, the use of personal information, and the risks of data exfiltration and leakage need to be carefully managed¹⁹. Organizations must implement robust data governance frameworks, ensure transparency in data usage, and comply with relevant privacy regulations to maintain user trust and safeguard fundamental rights at work. However, more comprehensive policies and regulations are still needed to provide adequate protection for workers in the digital age.

15. CNBC (2025), “Godfather of AI’ warns of jobs where ‘everybody will get replaced”’, <https://www.cnbc.com/education/godfather-of-ai-warns-of-jobs-where-everybody-will-get-replaced-19622406.htm>

16. SignalFire (2025), “The SignalFire State of Talent Report - 2025”, <https://www.signalfire.com/blog/signalfire-state-of-talent-report-2025>

17. ITUC (2023), “Algorithmic transparency and accountability in the world of work”, <https://www.ituc-csi.org/Algorithmic-transparency-and-accountability?lang=en>

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Advancing Human-Centered Policies

To address the impacts of digital transformation, the EU has advocated the adoption of human-centered approaches that prioritize worker welfare in the policymaking process. For example, in response to the growing prevalence of AI in Europe, as well as to ensure that the application of AI benefits both people and businesses, the EU committed to promoting “human-centric AI legislation” as part of its digital strategy introduced in 2021²⁰. Through a human-centered approach, the EU aims to establish a legal framework that upholds ethical standards, ensures trustworthiness, supports employment and labor, and effectively promotes “AI made in Europe”²¹. In 2024, the EU adopted the European Artificial Intelligence Act, which categorizes AI risks into four distinct levels and sets out obligations for AI providers accordingly²².

As for APEC, the human-centered approach has also been advocated to address the impacts of digital transformation while pursuing economic opportunities. Specifically, APEC member economies have acknowledged that the progress of digitalization and AI innovation contributes to enhanced business competitiveness. Most significantly, facilitating digitalization is also key to assist informal economic actors to participate in the formal economy and global markets.

The informal economy, defined as “activities that have market value and would add to tax revenue and GDP if they were recorded”²³, is a prevalent phenomenon across the APEC region. According to the estimation by APEC Policy Support Unit (PSU), informal economic activities could contribute more than 30% of GDP in developing economies in 2020. In Peru, the estimated contribution was approximately 59.4%²⁴. Notably, workers in the informal sector often lack adequate social protection, and their rights at work are typically not safeguarded by labor laws.

20. EU (2021), “Shaping the digital transformation: EU strategy explained”.

<https://www.europarl.europa.eu/topics/en/article/20210414STO02010/shaping-the-digital-transformation-eu-strategy-explained>

21. Ibid.

22. European Parliament (2024), “EU AI Act: first regulation on artificial intelligence”,

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23. IMF (2020), “What Is the Informal Economy?”,

<https://www.imf.org/en/Publications/fandd/issues/2020/12/what-is-the-informal-economy-basics>

24. PSU (2024), “Addressing Informality: Transitioning to the Formal Economy”,

https://www.apec.org/docs/default-source/publications/2024/2/224_psu_policy-brief-no-57-2024.pdf?sfvrsn=335afe3d_4



By incorporating digital tools and transactions into their daily operations, informal businesses can expand their market reach and gradually transition into formal economic sectors. This transition would also allow workers to earn higher incomes and gain access to social protection. In 2024, the “Lima Roadmap to Promote the Transition to the Formal and Global Economies (2025 to 2040)” was endorsed²⁵. APEC member economies have actively collaborated to foster an enabling environment for digital transformation. These efforts include closing the digital divide, advancing digital literacy, which are conducive to supporting informal economic actors in their transition to the formal economy.

While working to advance digitalization across the region, APEC member economies have also advocated for addressing the impacts of digital progress and AI innovation on the labor market through human-centered policies. As outlined in the Joint Statement of the 7th Human Resources Development Ministerial Meeting, given that regional labor markets have been reshaped by the emergence of new technologies, including AI, it is essential to adopt human-centered policies to strengthen labor and social protections to assist workers in adapting to future jobs. Ministers responsible for human resources development further advocated continued efforts to promote “customized training, reskilling, upskilling, and lifelong learning programs”²⁶, so as to equip workers with the skills needed to adapt to the evolving future of work driven by digital transformation.

The Future of Digital Transformation in the APEC Region

According to the APEC PSU, equity investment in private AI firms across the APEC region surged by 156.9% and peaked at US\$164.9 billion in 2024, reflecting a growing interest in innovation and the application of digital technologies²⁷. Looking ahead, facilitating digital transformation, particularly the adoption of AI in the workplace, remains a key trend shaping the development of businesses and worker welfare.

25. APEC (2024), “Lima Roadmap to Promote the Transition to the Formal and Global Economies (2025-2040)”. [https://www.apec.org/meeting-papers/leaders-declarations/2024/2024-apec-leaders'-machu-picchu-declaration/lima-roadmap-to-promote-the-transition-to-the-formal-and-global-economies-\(2025-2040\)](https://www.apec.org/meeting-papers/leaders-declarations/2024/2024-apec-leaders'-machu-picchu-declaration/lima-roadmap-to-promote-the-transition-to-the-formal-and-global-economies-(2025-2040))

26. APEC (2025), “Joint Statement of the 7th Human Resources Development Ministerial Meeting”, <https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/humanresourcesdevelopment/joint-statement-of--the-7th-human-resources-development-ministerial-meeting>

27. APEC Policy Support Unit (2025), “Navigating Artificial Intelligence Landscape in APEC: Balancing Development and Oversight”, <https://prod-statistics.apec.org/publications/2025/04/artificial-intelligence-landscape-in-apec--balancing-development-and-oversight>



As a leading regional forum, APEC is well-positioned to drive digital transformation by fostering regional cooperation. By aligning with the APEC Internet and Digital Economy Roadmap²⁸, member economies have made significant improvements in digital readiness. In the future, through active capacity-building initiatives and the sharing of best practices, APEC is expected to deepen the understanding of the impacts of digital transformation on labor markets. It is also expected to envision human-centered approaches for addressing emerging challenges and opportunities through its project activities, so as to fully realize the benefits of digital transformation.

28. APEC (2017), “APEC Internet and Digital Economy Roadmap”.
https://www.apec.org/docs/defaultsource/groups/ecsg/17_csom_006.pdf



3. Conclusion

This issue of Issue Paper captures a moment of profound transition in the global economic landscape—one marked by shifting alliances, evolving trade norms, and rapid technological advancement. Through the lens of the Anglo-American Trade Agreement, we see how bilateral arrangements can serve as powerful anchors in the international system, influencing multilateral frameworks and setting precedents that ripple across borders.

At the same time, the APEC region finds itself at a critical crossroads. The call for services reform, as explored in our second article, reflects the urgency of adapting trade policy to the realities of a services-driven economy. By embracing a forward-looking services agenda, APEC economies have the opportunity to unlock new pathways for growth, innovation, and regional integration.

Our third article brings the human dimension into focus, examining how digital transformation is reshaping the future of work. As technology continues to redefine industries, the challenge lies not only in accelerating innovation but in ensuring that workers are equipped, protected, and empowered to thrive in this new environment.

Together, these articles underscore the interconnected nature of trade, policy, and technology. They remind us that progress depends on thoughtful leadership, inclusive strategies, and a shared commitment to resilience. As we look ahead, the insights presented in this issue offer a valuable foundation for dialogue and action—within APEC and beyond.



