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Trends in trade and cooperation for sustainable development in the Asia-Pacific region

Regional trends in trade and cooperation in the Asia-Pacific region

Note by the secretariat

Summary

The Asia-Pacific region plays a pivotal role in the global economy, as it accounts for nearly 40 per cent of global merchandise trade and serves as a hub for dynamic intraregional and interregional trade linkages. However, this prominent position also brings increasing complexities, as the region navigates a rapidly evolving global trade landscape shaped by geopolitical tensions, technological advancements and growing environmental challenges.

In the present document, the secretariat offers a brief overview of trends in trade and cooperation efforts in the Asia-Pacific region, drawing on its own research and analysis. It highlights the region's response to trade challenges arising from digital transformation, geopolitical shifts and the pressing need to achieve environmental sustainability through regional cooperation. Furthermore, it examines how Asia-Pacific economies are adapting to shifting trade dynamics by using trade agreement strategies.

The Committee on Trade, Investment, Enterprise and Business Innovation may wish to consider the issues discussed in the present document and provide guidance to the secretariat on future work to support member States in effectively addressing emerging challenges through trade and regional cooperation.

* ESCAP/CTIEBI(2)/1.

I. Introduction

1. Over the years, the Asia-Pacific region has emerged as a leader in driving economic growth and innovation. At the same time, the region is navigating a complex and rapidly changing global trade landscape characterized by geopolitical tensions, technological advancements and growing environmental challenges.

2. To address some of the challenges, including the stagnation in multilateral trade negotiations, countries in the region have increasingly turned to regional cooperation as a pragmatic and strategic alternative. Preferential trade agreements, along with sector-specific and issue-focused agreements, have proliferated as key means of addressing the pressing challenges posed by digital transformation, climate change and evolving trade patterns.

3. In the present document, the secretariat provides an overview of how the Asia-Pacific region is addressing trade challenges and leveraging regional cooperation initiatives in trade. In section II, it summarizes recent trade developments in the region. In section III, it examines the expanding scope of regional cooperation initiatives, in particular preferential trade agreements, in tackling emerging issues such as digital transformation and sustainability. In section IV, the Committee on Trade, Investment, Enterprise and Business Innovation is invited to consider key issues and provide guidance to the secretariat on its future work.

II. Regional trade trends[1]

4. Owing to its robust intraregional linkages and integration into global value chains, the Asia-Pacific region has long been a cornerstone of global trade. In 2024, in fact, it was the largest contributor to global merchandise trade, accounting for nearly 40 per cent of the total. In recent years, however, the region's trade dynamics have changed in response to geopolitical shifts, structural transformations and ongoing efforts to diversify trade partnerships. These factors have not only influenced the distribution of trade, in other words who trades with whom, but also underscored the region's resilience in adapting to changing global economic conditions.

5. Intraregional trade continues to dominate the region's merchandise trade. In 2024, the Asia-Pacific market accounted for approximately 53 per cent of exports and 56 per cent of imports. China retained its role as the dominant trading partner, receiving 20 per cent of exports and supplying 26 per cent of imports.

6. The degree of reliance on exports to other Asia-Pacific markets varies significantly across subregions, ranging from 25 per cent of the exports from South and South-West Asia to nearly 80 per cent of exports from the Pacific. A significant portion of intraregional trade is driven by exchanges between East Asia on one side and East and North-East Asia and South-East Asia on the other side. In contrast, trade with neighbouring economies within the same subregion is less significant outside those two subregions. In 2024, trade within the subregion was lowest in the Pacific, at 5 per cent, and highest in East and

[1] Section II is based on Economic and Social Commission for Asia and the Pacific (ESCAP), "Asia-Pacific trade and investment trends 2024/2025: trade in goods and commercial services" (Bangkok, 2024).

North-East Asia, at 25 per cent, highlighting disparities in market potential and in the integration of subregional value chains.

7. Beyond the Asia-Pacific region, the European Union and the United States of America continued to serve as significant trade partners in 2024. Each accounted for approximately 14 per cent of the region's total exports. Moreover, the Asia-Pacific region sourced 10 per cent of its imports from the European Union and 7 per cent from the United States. The rest of the world absorbed about 19 per cent of the region's exports.

8. As Asia-Pacific economies navigate an increasingly complex global environment, trade patterns within the region have undergone notable reconfigurations. Between 2019 and 2024, geopolitical shocks and structural changes significantly reconfigured trading patterns (see table). The most pronounced shift was the redirection of exports from North and Central Asia away from the European Union towards Asia. This shift, primarily driven by sanctions, has prompted countries to import fewer goods from the Russian Federation in favour of South and South-West Asia, notably India, and, albeit to a lesser extent, East and North-East Asia, especially China.

Change in merchandise trade partners, by subregion, 2019–2024

Export destination / *Exporter*	*East and North-East Asia*	*North and Central Asia*	*Pacific*	*South-East Asia*	*South and South-West Asia*	*Asia and the Pacific*	*European Union*	*United States of America*	*Rest of the world*
East and North-East Asia	-4.7	1.1	0.2	1.2	0.7	-1.6	0.3	-0.9	2.2
North and Central Asia	6.4	4.8	-0.1	0.5	15.0	26.6	-25.4	-2.0	0.8
Pacific	-1.5	-0.2	-1.1	2.1	1.0	0.3	0.2	0.8	-1.3
South-East Asia	-2.0	-0.1	0.3	-0.6	0.4	-2.0	-0.8	2.9	-0.1
South and South-West Asia	-4.6	1.1	0.5	-0.2	-1.9	-5.1	2.3	1.6	1.2
Asia and the Pacific	-3.3	1.0	0.1	0.8	1.3	0.8	-1.4	-0.7	1.3

Source: ESCAP calculations using the International Monetary Fund, Direction of Trade Statistics database. Available from https://data.imf.org/dot (accessed on 1 February 2025).

9. In other subregions, reliance on intraregional markets has stabilized or modestly declined, reflecting deliberate efforts to diversify trade partnerships. Structural adjustments and geopolitical factors have played key roles in accelerating supply chain diversification. Nevertheless, the overall impact on regional trade shares over the past five years has been modest, as redistributed trade flows have created opportunities for other regional partners to absorb exports. Notably, East and North-East Asian economies have strengthened trade ties with other Asia-Pacific partners while reducing exports to China and slightly decreasing exports to the United States.

10. However, these opportunities have not been equally distributed, with significantly fewer gains made in countries in special situations (i.e. least developed countries, landlocked developing countries and Pacific small island developing States). These disparities stem from factors such as smaller

markets, limited trade complementarity and weak integration into global and regional supply chains, which hinder the ability to capitalize on the diversification of supply chains. Nevertheless, some economies graduating from least developed country status have shown progress by actively pursuing reforms and preparing for greater participation in global trade. For instance, the Government of Cambodia has actively participated in regional and international cooperation initiatives, including agreements of the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO), and in trade partnerships with neighbouring countries. In fact, between 2019 and 2024, Cambodia made significant progress in diversifying its export markets. Notably, the Government's strategic efforts to leverage the emergence of regional manufacturing and export hubs are partially reflected in the increase in merchandise exports from Cambodia to Viet Nam, equal to nearly 12 per cent, during that period.

11. The above-mentioned disparities indicate that strengthening regional cooperation and expediting domestic reforms are of particular importance for economies graduating from least developed country status, many of which are struggling to adapt to the evolving trade dynamics and to the loss of preferential treatment that typically follows graduation. To bridge these gaps, the secretariat has provided capacity-building and technical support, including training workshops in trade policy and facilitation for countries in special situations. In 2023 and 2024, in fact, 1,780 people from countries in special situations attended in-person and online capacity-building workshops and training courses in trade policy and facilitation organized by the secretariat. Moreover, seven workshops were conducted to enhance national capacity in trade policy, negotiation and facilitation, leveraging policy tools such as the Trade Intelligence and Negotiation Adviser,[2] including in Bangladesh, Cambodia, Kyrgyzstan, Mongolia and Timor-Leste.

12. In contrast to merchandise trade, trade in services in the Asia-Pacific region remains strongly oriented towards global markets. Technological advancements in digitally deliverable services have enabled greater diversification of trade destinations beyond neighbouring countries. The United States and the European Union are major global partners, each capturing 7–8 per cent of the region's services exports. Intraregional trade accounted for about 20 per cent of the region's total exports of services. Among the subregions, East and North-East Asia leads, accounting for nearly 11 per cent of the region's exports of services, primarily driven by China. Similarly, trade in services within the subregions remains relatively low, with 61–66 per cent of exports directed to markets outside the region.

A. Trade in goods

13. Supported by a stronger economic recovery, global merchandise trade expanded in 2024. Global exports and imports grew by 1.8 per cent and 2.2 per cent, respectively, in real terms, which means that the Asia-Pacific region outperformed the global average, with exports rising by 3.4 per cent and imports increasing by 3.6 per cent. While the region remained a net exporter, its trade surplus as a percentage of total merchandise trade declined to 2.3 per cent in 2024 from 3.2 per cent in 2023. This reduction was primarily driven by strong import growth, fuelled by increased consumer spending, heightened investments and moderate global economic expansion.

[2] See https://tina.trade/.

14. Asia-Pacific subregions experienced varied export recoveries in 2024 following generally weak performance in 2023 (see figure I). South-East Asia outperformed other subregions with a 5.8 per cent export expansion in 2024 after contracting 4.6 per cent in 2023, driven by strong electronics export growth, in particular in Viet Nam (14.1 per cent) and Malaysia (7.9 per cent). South and South-West Asia recorded increased growth at 3.6 per cent in 2024, up from 2.2 per cent in 2023, supported by significant contributions from Bangladesh (6.3 per cent) and India (5.1 per cent). Also in 2024, East and North-East Asia rebounded from export stagnation, achieving 3.2 per cent growth, with Hong Kong, China, (7.2 per cent) and the Republic of Korea (4.4 per cent) as key contributors, largely supported by the growth of exports from China (3.1 per cent). Meanwhile, North and Central Asia stabilized following an 11 per cent decline in 2023 owing to economic sanctions, recording a modest growth of 0.9 per cent in 2024, primarily driven by the marginal increase of 0.5 per cent recorded in the Russian Federation. In contrast, the Pacific continued to see declining exports, falling by 2.1 per cent in 2024, extending its contraction since 2020. The slow growth in North and Central Asia and the Pacific reflects a reliance on mining and commodity exports to China, whose economic growth has not fully recovered to the levels recorded prior to the coronavirus disease (COVID-19) pandemic.

15. Import performance in 2024 was more varied than export performance. South-East Asia experienced a strong rebound, recording 10.3 per cent growth, partly driven by intermediate inputs for exports recovering from the previous year. Imports grew modestly in the Pacific (5.2 per cent), South and South-West Asia (2.7 per cent) and East and North-East Asia (1.9 per cent). In contrast, North and Central Asia saw a decline in imports, which contracted by 3.1 per cent, reflecting subdued domestic demand and external constraints.

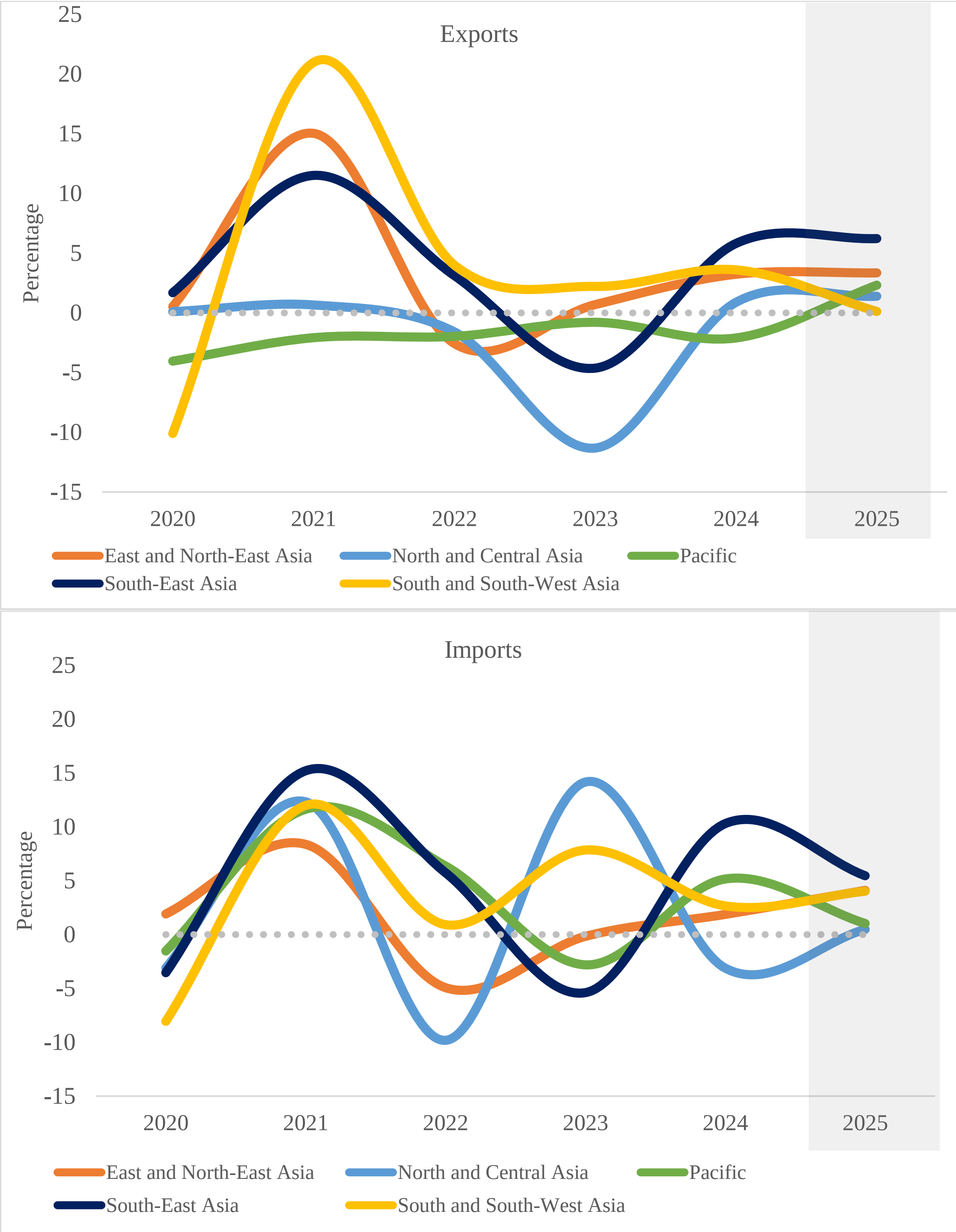
16. Merchandise trade in the Asia-Pacific region is projected to maintain its growth momentum in 2025, with exports expected to grow by between 2.7 and 3.5 per cent in real terms. It is forecast that developed economies will outperform developing ones and that such growth will be driven by a robust trade recovery in Japan. In contrast, the growth of exports from China is expected to face downward pressures, contributing to more modest aggregated export growth in developing Asia-Pacific economies.

17. This contrast in export growth sets the stage for the varying projections across the region, with developed economies expected to outperform their developing counterparts. The secretariat projects that exports from developed economies will grow to 4.5 per cent in real terms, while exports from developing economies will grow to 3.2–3.5 per cent. South-East Asia and East and North-East Asia are anticipated to grow robustly, with exports increasing by 3–6 per cent. In contrast, North and Central Asia and the Pacific are likely to experience more modest growth, reflecting subdued demand from China. Exports from South and South-West Asia are expected to stabilize as key exporters in the subregion contend with slower growth amid global economic challenges.

18. These baseline projections for 2025 remain highly uncertain, however, with risks stemming from slower recovery in major economies, escalating protectionist policies and potential retaliatory measures. Such challenges could disproportionately affect merchandise exports, in particular for developing economies that might be subject to increased protectionist measures and have earlier benefited from diverted trade and investment flows. In a worst-case scenario, real merchandise export growth could decline to 2.7 per cent, compared to the baseline projection of 3.5 per cent. Import growth is expected to be in line with export growth but may be supported by sustained domestic

demand. These dynamics underscore the critical need to strengthen regional cooperation on the basis of complementarities and to make domestic reforms aimed at mitigating risks, enhancing productivity and diversifying trade partnerships, which are essential for sustaining trade and economic momentum amid global uncertainties.

Figure I
Growth rate of merchandise trade volume by subregion for 2020–2024 and projections for 2025



Source: ESCAP calculations using annual merchandise trade data from WTO, available at https://stats.wto.org/; and data from the Economist Intelligence Unit, available at https://viewpoint.eiu.com (both accessed on 1 February 2025).

B. Trade in commercial services

19. Starting in 2021, the trade in commercial services has rebounded from the impacts of the COVID-19 pandemic and stabilized since 2023, with global exports expanding by 8.1 per cent in 2023 and 5.8 per cent in 2024. The Asia-Pacific region maintained strong growth in both years, driven by a robust recovery in the travel and tourism sectors, which returned to pre-pandemic levels, alongside continued expansion in digital trade. This has resulted in sustained growth in digitally deliverable commercial services.

20. In 2024, the Asia-Pacific region outperformed the global average, recording 8.6 per cent growth in exports and 6.2 per cent growth in imports. This growth has increased the region's share of global services exports and imports to 25.7 per cent and 28.4 per cent, respectively, up from 25.0 per cent and 28.2 per cent in 2023.

21. While the region remains a net importer of services, the trade balance narrowed significantly, with the services trade deficit decreasing to 0.7 per cent of total commercial services trade in 2024, compared to a nearly 4 per cent deficit in pre-pandemic years.

22. Travel services, accounting for 21 per cent of commercial services exports and 25 per cent of imports in the region, experienced an exceptional growth of 28 per cent and 26 per cent, respectively, driven by a 38 per cent surge in imports of travel services by China. Japan, Australia and Türkiye, which recorded strong growth in exports of travel services at 42 per cent, 18 per cent and 13 per cent, respectively, were among the countries that benefited the most from this trend.

23. Transport services, an equally significant sector, represented 21 per cent of exports and 27 per cent of imports. The sector benefited from a broader economic and trade recovery, with exports growing by 10 per cent and imports by 3 per cent in 2024. Other key export services, including construction services (17 per cent), services incidental to the supply of goods (9 per cent) and charges for the use of intellectual property (7 per cent), also experienced notable growth. In contrast, insurance and pension services recorded a decline of 5 per cent.

24. Since 2023, the Pacific has led in the growth in exports of services, mainly in the tourism sector, with exports surging 42 per cent in 2023 from a low baseline, while other subregions stabilized at 0–9 per cent. In 2024, the Pacific maintained strong export growth at 13 per cent, supported by Australia (15 per cent) and New Zealand (10 per cent). Similarly, smaller Pacific island States recorded 11–24 per cent growth, albeit from a small absolute baseline.

25. Meanwhile, South-East Asia and South and South-West Asia maintained robust export growth of 7–9 per cent, driven by strong performances from India, Thailand and Türkiye. East and North-East Asia rebounded from export stagnation, achieving 8 per cent in 2024, with the Republic of Korea as a standout performer. In contrast, North and Central Asia has experienced stagnant exports since 2023, with the Russian Federation, the subregion's leading exporter, registering 1 per cent growth.

26. In terms of imports, subregional performances closely mirrored export trends. East and North-East Asia recorded the strongest import growth in 2024, at 8 per cent, with all economies in the subregion showing robust increases, led by Hong Kong, China, (16 per cent) and Japan (14 per cent). In the Pacific, services imports grew by 3 per cent, primarily driven by the 5 per cent

expansion recorded for Australia. South-East Asia and South and South-West Asia performed similarly, with most economies experiencing import growth. Notably, Sri Lanka (50 per cent) and Maldives (20 per cent) stood out with significant increases. Meanwhile, North and Central Asia experienced a slight contraction in imports (1 per cent), primarily owing to stagnant import growth in the Russian Federation.

27. Growth is expected to continue in 2025, with regional exports and imports projected to grow by 8 per cent and 11 per cent, respectively. Travel services will remain a key driver, alongside expanding business, financial, and information and communications technology services propelled by a robust growth in digital trade. Import growth is anticipated to outpace exports owing to robust demand for travel and digitally deliverable services within the region. As a result, the services trade deficit is expected to widen in 2025 and potentially to reach 2 per cent of all trade in commercial services.

28. Commercial services export growth in developed Asia-Pacific economies is projected to exceed 13 per cent in 2025, significantly outpacing the growth in developing economies, where growth is expected to range between 6 per cent and 10 per cent. Notable export performances are expected in Japan (18 per cent), Australia (14 per cent) and New Zealand (14 per cent). These economies will also drive subregional export growth in East and North-East Asia (11 per cent) and the Pacific (14 per cent). Imports in developed economies are projected to rise significantly, contributing to an import growth of 15 per cent in East and North-East Asia and 9 per cent in the Pacific.

29. Export growth in South-East Asia, South and South-West Asia, and North and Central Asia is anticipated to continue at a more modest pace of 4–6 per cent. Import growth is expected to be in line with export trends, reflecting sustained demand recovery.

30. As in respect of merchandise trade, these baseline projections remain subject to considerable uncertainty given the risks associated with the current global economic conditions, a slower-than-anticipated recovery in China and potential disruptions from geopolitical conflicts or natural disasters, particularly affecting key service sectors such as travel and transport.

31. Protectionist policies further compound these risks. Although tariffs predominantly affect merchandise trade, their ripple effects could dampen demand for related services, including in the logistics, finance and insurance sectors. Increased trade tensions also contribute to policy uncertainty, deterring investment in service industries.

32. New regulations on digital trade, such as security requirements, cross-border digital product controls and data protection measures, have added to the challenges. These regulations have generally increased compliance costs and operational complexity, disproportionately affecting small businesses, which often lack the resources to adapt to regulatory demands.[3]

[3] For details, please see ESCAP, Economic Commission for Africa (ECA) and Economic Commission for Latin America and the Caribbean (ECLAC), *Digital Trade Regulatory Review for Asia-Pacific, Africa, and Latin America and the Caribbean 2024* (Bangkok, 2024); and ESCAP, *Regional Digital Trade Integration Index (RDTII) 2.0: Economy Profile 2024* (Bangkok, 2024).

III. Regional cooperation trends[4]

33. Regional cooperation has emerged as a pragmatic response to gaps in multilateralism and a strategic tool for shaping norms, fostering partnerships and addressing shared challenges. Many efforts have been made to navigate complex global dynamics (for example, digital transformation, climate change and geopolitics), as evidenced by the proliferation of preferential trade agreements, the expansion of their scope and membership, the rise of sector-specific or issue-focused agreements and the adoption of flexible modalities to respond effectively to the most pressing challenges.

34. The trend towards preferential trade agreements reflects a shift in trade governance, by which economies are increasingly leveraging regional and plurilateral frameworks to address emerging policy challenges that have not been resolved through multilateral negotiations. The intention also appears to be to move beyond traditional tariff reductions towards strengthening regulatory cooperation in areas such as digital trade, investment facilitation and labour and environmental standards. The rise in sector-specific and issue-focused agreements such as digital economy agreements shows that countries are seeking targeted, high-standard commitments in priority areas rather than relying on broad-based trade negotiations. Moreover, the adoption of flexible modalities, including plurilateral agreements and modular approaches, allows countries to participate selectively in agreements that align with their level of readiness and their strategic interests.

35. Asia and the Pacific leads this trend, accounting for at least half of the preferential trade agreements in force globally as of December 2024. Of those agreements, 229 are currently active, 27 have been signed and are awaiting ratification and 100 are under negotiation. In 2024 alone, eight agreements were signed and 11 new negotiations were initiated, most of which involved bilateral trade agreements with economies outside the Asia-Pacific region. This is consistent with the trends towards diversifying trade partnerships. By December 2024, approximately 55 per cent of all preferential trade agreements in force involved economies outside the Asia-Pacific region and 79 per cent were bilateral trade agreements.

36. This predominantly bilateral approach adds to the complexity of the noodle bowl effect, where overlapping and sometimes conflicting rules across multiple agreements create challenges for businesses and policymakers.

37. Not only is the number of preferential trade agreements growing, their scope is also broadening. Several longstanding agreements have been renegotiated and upgraded to be made more inclusive and to ensure that their provisions remain relevant. Other key upgrades focus on expanding market access for trade in services and incorporating provisions for emerging issues, such as e-commerce. To adapt to the changing global economic landscape, some trade agreements have undergone multiple rounds of upgrades.

38. Recent negotiations have also addressed broader policy areas, including sustainable development and the digital economy. East and North-East Asia has led this trend, followed by South-East Asia and the Pacific. As of December 2024, more than 50 per cent of signed and enforced preferential trade agreements include provisions on trade facilitation and customs cooperation (approximately 70 per cent), competition policy and intellectual

[4] Section III is based on ESCAP, "Asia-Pacific trade and investment trends 2024/2025: preferential trade agreements" (Bangkok, 2024).

property. Many recent agreements also address non-trade topics such as health, education, gender equality, human rights and environmental sustainability, as well as cross-cutting issues such as data privacy, cross-border data flows, online consumer protection and cybersecurity.

39. In addition to preferential trade agreements, alternative frameworks for trade and economic cooperation, for example in the form of memorandums of understanding and framework agreements, are becoming more common in the region. Such frameworks provide smaller economies with greater flexibility to address relatively sensitive issues, in particular in the areas of digital technologies and environmental sustainability.

40. Despite the recent growth in agreements, the participation of countries in special situations in reciprocal preferential trade agreements remains limited. As of December 2024, fewer than 15 per cent of the 222 reciprocal preferential trade agreements in force in the Asia-Pacific region included least developed countries among the participants. Similarly, fewer than 30 per cent of preferential trade agreements included landlocked developing countries among the participants, and that was true for fewer than 5 per cent of Pacific small island developing States.

41. This limited engagement is particularly worrying for economies graduating from least developed country status, which must adjust quickly to maintain market access as they lose preferential tariffs under duty-free, quota-free schemes after graduation. Moreover, although some of them have joined preferential trade agreements, their involvement is often confined to agreements with basic provisions, which offer limited opportunities to address current issues in the areas of digital trade and e-commerce, for example. A notable exception are the ASEAN least developed countries, which benefit from the comprehensive agreements under the ASEAN framework.

42. Several constraints limit countries in special situations from engaging effectively in reciprocal preferential trade agreements. One constraint is the limited institutional and technical capacity in these emerging economies to effectively negotiate, implement and monitor such agreements. To support member States in navigating complex trade negotiations, the secretariat offers the online Trade Intelligence and Negotiation Adviser tool, which can help to prioritize key areas of negotiations and analyse potential trade outcomes, making the process more efficient and manageable, particularly for small developing economies with limited technical and human resources.

A. Regional cooperation in a digitally integrated Asia and the Pacific

43. Digital trade has become a cornerstone of modern trade negotiations, with an increasing number of preferential trade agreements incorporating digital trade provisions and more and more stand-alone agreements focusing on digital economy cooperation. The Agreement between New Zealand and Singapore on a Closer Economic Partnership signed in 2000, was the first such agreement to contain a provision dedicated to digital trade in Asia and the Pacific. By December 2024, 120 of the 256 signed and enforced preferential trade agreements in the Asia-Pacific region included digital trade provisions, with 81 containing chapters dedicated to digital trade. In addition, five agreements focused on digital trade or the digital economy have been signed and enforced in the region, comprehensively addressing digital trade issues. These agreements not only contain traditional e-commerce provisions but also promote domestic regulatory reforms and facilitate cross-border collaboration on diverse topics, such as innovations in the collection and use of data, digital identities, cybersecurity and digital inclusion. They also support sustainable

development through measures that support micro-, small and medium-sized enterprises, enhance capacity-building and provide for periods of transition to ensure equitable participation and adaptation.

44. In addition, artificial intelligence provisions have become prominent in recent preferential trade agreements involving advanced Asia-Pacific economies. As of December 2024, 14 of the 16 global preferential trade agreements incorporating artificial intelligence provisions originated in the Asia-Pacific region. Of those 14, nine included provisions that addressed artificial intelligence specifically, while five embedded artificial intelligence in broader cooperation frameworks. These provisions, in turn, highlight the potential importance of artificial intelligence for delivering economic and social benefits and the importance of developing governance frameworks that are aligned with international standards to ensure the safe and responsible use of artificial intelligence. The above-mentioned preferential trade agreements also encourage cooperation in research, industry practices and commercialization. Advanced agreements such as the United Kingdom-Singapore Digital Economy Agreement and the United Kingdom-New Zealand Free Trade Agreement further underscore the importance of addressing risk management, technological interoperability and neutrality when developing artificial intelligence governance frameworks.[5]

45. That said, however, some subregions participate in agreements with digital trade provisions much more than others do, as a result of differences in readiness, policy and negotiation capacities, and strategic priorities. East and North-East Asia and South-East Asia are represented in 43 and 51 per cent of the 120 preferential trade agreements in the region, respectively. The Pacific is represented in 27 per cent of such agreements, while South and South-West Asia and North and Central Asia lag behind, at 12.5 and 10 per cent, respectively. In addition, advanced economies in East and North-East Asia, the Pacific and South-East Asia – in particular Australia, New Zealand, the Republic of Korea and Singapore – are most involved in preferential trade agreements with artificial intelligence provisions. Meanwhile, participation is growing in selected economies in North and Central Asia and South and South-West Asia, notably in Georgia and India, which reflects the fact that interest in emerging technologies is spreading.

46. The scope and enforceability of digital trade provisions vary significantly among agreements. Comprehensive commitments are most prominent in bilateral digital trade agreements between advanced economies, such as the Australia-Singapore Digital Economy Agreement, the Republic of Korea-Singapore Digital Partnership Agreement and the United Kingdom-Singapore Digital Economy Agreement. Plurilateral initiatives like the Digital Economy Partnership Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership also exemplify this trend.

47. In addition, selected Asia-Pacific economies, in particular in East and North-East Asia and South-East Asia, have pursued targeted cooperation efforts. Notable examples include the digital partnerships between the European Union and advanced Asia-Pacific economies such as Japan, the Republic of Korea and Singapore, as well as the ASEAN Digital Economy Framework Agreement.

[5] Both of these agreements include commitments on risk-based regulation, technological interoperability and technological neutrality, while also promoting the development of internationally aligned frameworks.

48. These disparities underscore the importance of cooperating to achieve greater regulatory harmonization and mutual recognition of standards to foster interoperability and enable inclusive participation in digital trade and associated negotiations. Given the significant gaps in regulatory capacity across the Asia-Pacific region, collaboration aimed at bridging policy and capacity gaps, particularly for countries in special situations, remains a high priority. To this end, regional initiatives that offer inclusive and practical solutions are critical. A notable example is the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, which provides a platform to facilitate the harmonization of electronic trade data and document exchange, thereby enhancing economies' capacity for digital trade. By facilitating paperless trade transactions, the Framework Agreement, if fully implemented, is projected to reduce trade costs by 10–30 per cent.[6]

49. Moreover, the secretariat's regional digital trade integration index,[7] which has been developed with the Economic Commission for Africa and the Economic Commission for Latin America and the Caribbean, reveals that digital trade regulatory fragmentation is more pronounced in the Asia-Pacific region than in other regions.[8] Regulatory fragmentation undermines the ability of many economies, particularly those with small domestic markets, to negotiate and implement modern preferential trade agreements and regional cooperation initiatives effectively.

50. To address these challenges, the secretariat focuses on supporting members and associate members in understanding the evolving digital trade environment within the region and beyond. The secretariat provides knowledge, information and training, prioritizing countries in special situations, upon request and within available resources.

B. Regional cooperation for sustainability in Asia and the Pacific

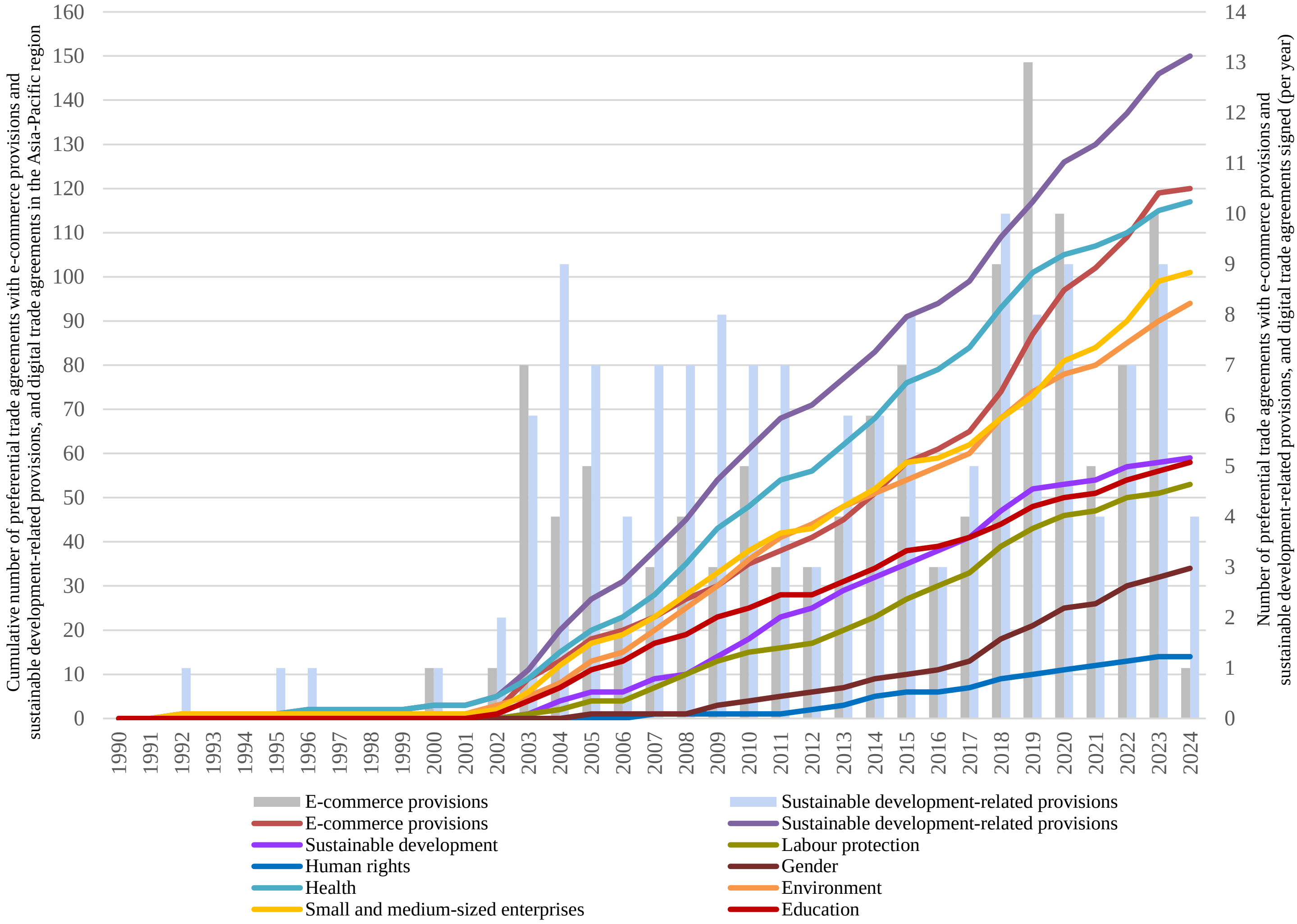
51. The integration of sustainable development provisions in preferential trade agreements is steadily increasing alongside digital trade provisions (figure II). By December 2024, 150 of the 256 signed and enforced preferential trade agreements in the Asia-Pacific region included sustainable development provisions, with 94 specifically addressing environmental issues.

[6] ESCAP resolution 72/4, annex.

[7] See www.unescap.org/projects/rcdtra.

[8] ESCAP, ECA and ECLAC, *Digital Trade Regulatory Review for Asia-Pacific, Africa, and Latin America and the Caribbean 2024.*

Figure II
Number of preferential trade agreements containing sustainable development and digital trade provisions, 1990–2024



Source: ESCAP, Asia-Pacific Trade and Investment Agreements Database (accessed on 1 February 2025).

Note: The term "sustainable development-related provisions" refers to provisions that explicitly mention "sustainable development", as well as provisions related to human rights, health, small and medium-sized enterprises, labour protection, gender, the environment and education.

52. Participation in these agreements remains uneven across the subregions, with East and North-East Asia and South-East Asia leading in terms of representation in preferential trade agreements that contain sustainable development provisions. In fact, each of those two subregions were represented in 44 per cent of the 150 agreements with sustainable development provisions, followed by the Pacific (23 per cent), South and South-West Asia (21 per cent) and North and Central Asia (8 per cent). In respect of preferential trade agreements with environmental provisions, the order is as follows: East and North-East Asia (53 per cent), South-East Asia (43 per cent), the Pacific (24 per cent), South and South-West Asia (12 per cent) and North and Central Asia (10 per cent).

53. Beyond incorporating environmental provisions into preferential trade agreements, stand-alone environmental agreements are gaining traction among like-minded economies. These agreements have established common lists of environmental goods and services and created frameworks to address pressing environmental challenges.[9] Among them, the Singapore-Australia Green Economy Agreement, introduced in 2022, serves as a framework agreement complementing existing bilateral trade arrangements. A relatively high standard in this domain has been set by the Agreement on Climate Change, Trade and Sustainability, an open multilateral agreement signed in 2024 by Costa Rica, Iceland, New Zealand and Switzerland. The agreement integrates trade, investment and sustainable development, with an emphasis on liberalizing trade in over 300 environmental goods and more than 100 environmentally related services. It also establishes a framework for addressing harmful fossil fuel subsidies and ecolabelling, while shaping common standards for trade and investment in environmental goods and services.[10] Although still limited in number, such agreements hold significant potential for future expansion. Notably, the Agreement on Climate Change, Trade and Sustainability is open to all WTO members, as a complement to multilateral initiatives. In general, such agreements complement existing multilateral agreements, including the United Nations Framework Convention on Climate Change and the Paris Agreement, by integrating trade and international cooperation with climate and environmental objectives, making compliance and implementation more concrete by linking them to economic incentives.

54. In addition, advanced Asia-Pacific economies are pursuing alternative forms of regional cooperation focused on sustainability. Several environment-related memorandums of understanding are in line with article 6 of the Paris Agreement, supporting climate action and the transition to a low-carbon economy. A notable example is the Green Economy Framework between Singapore and the United Kingdom, which promotes green sector growth and decarbonization in three key areas: transport; low-carbon energy and technologies; and carbon markets and sustainable finance.[11]

55. While the links between trade and the environment are increasingly being addressed in regional cooperation arrangements, significant challenges persist. In most cases, environmental provisions in preferential trade agreements lack enforceability, often serving as general acknowledgements of the role of trade in sustainable development without imposing binding obligations.[12] In addition, and despite the growing inclusion of commitments and innovative arrangements, the effectiveness of environmental provisions is

[9] See the Singapore-Australia Green Economy Agreement, annex B 1.1 (Environmental goods list), annex B 1.2 (Environmental services list).

[10] See www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/agreement-on-climate-change-trade-and-sustainability-accts/accts-text-and-resources.

[11] See www.gov.uk/government/publications/green-economy-framework-memorandum-of-understanding/memorandum-of-understanding-on-the-green-economy-framework-between-the-government-of-the-united-kingdom-and-the-government-of-the-republic-of-singapor.

[12] For more information about the sustainable development provisions and preferential trade agreements options for negotiators to enhance the contribution of trade to inclusive and sustainable development, see *Handbook on Provisions and Options for Inclusive and Sustainable Development in Trade Agreements* (Bangkok, 2023).

often undermined by challenges in implementation and enforcement, especially in countries with limited institutional capacity.[13]

56. Addressing these issues is essential for regional cooperation initiatives to result in measurable progress in sustainability and climate action. Efforts should not only focus on green trade liberalization but also prioritize green trade facilitation, enabling economies to streamline and digitalize processes, reduce trade barriers for environmental goods and services, and promote sustainable practices along supply chains.[14] Ensuring that environmental provisions are enforceable and supported by adequate institutional frameworks is crucial for maximizing their impact.

IV. Issues for consideration by the Committee

57. The Committee may wish to consider the issues and recommendations presented in the present document and provide the secretariat with guidance on areas for future research and policy support.

58. The Committee is invited to share experiences on trade policy and trade facilitation actions taken at the national level to address challenges and achieve the Sustainable Development Goals given the evolving multilateral and regional trade environment.

[13] Inmaculada Martínez-Zarzoso, “Assessing the effectiveness of environmental provisions in regional trade agreements: an empirical analysis”, Organisation for Economic Co-operation and Development (OECD) Trade and Environment Working Papers, No. 2018/02 (Paris, OECD Publishing, 2018).

[14] The concept and scope of green trade facilitation is discussed in more detail at www.unescap.org/blog/pioneering-green-trade-facilitation-new-conceptual-framework.