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Contents

WORKING PAPERS	1
USEFUL LINKS	4

WORKING PAPERS

[APEC Regional Trends Analysis, October 2025](#) (Asia-Pacific Economic Cooperation)

APEC is expected to remain resilient in 2025, reflecting strong trade performance and demand for high-tech goods. However, growth momentum is unlikely to be sustained in 2026 amid fading temporary drivers and tighter fiscal space. Inflation has eased across the region, creating room for accommodative monetary policy, yet elevated debt continues to limit fiscal capacity to support growth. Restoring confidence amid ongoing uncertainty will require sound economic management, transformative reforms, and deeper regional cooperation. Strengthened dialogue and multilateralism remain vital in revitalizing growth across the APEC region.

[The Costs of Hidden Measures: APEC's Experience with Non-Tariff Measures \(NTMs\)](#) (Asia-Pacific Economic Cooperation)

Interconnected supply chains bring economies closer together and foster trade, but such interdependence could make them more vulnerable to trade frictions, such as the implementation of

non-tariff measures (NTMs) that restrict trade. However, not all NTMs are harmful. Many serve as policy tools to advance legitimate public policy objectives. Moreover, the presence of NTMs alone does not necessarily mean that there are problems—the stringency of procedures is often more relevant. Against this background, challenges affecting NTMs can be wide-ranging. Managing or addressing these challenges requires economies to strike a delicate balance between pursuing domestic policy objectives and minimizing potential trade-restrictive effects.

Using AI to Power Up Efficient and Resilient Energy Systems (Asia-Pacific Economic Cooperation)

APEC electricity grids and energy systems are under immense pressure. Rising demand, the shift to variable renewable energy, and more frequent extreme weather events are challenging its legacy infrastructure. Artificial Intelligence (AI) offers a transformative tool to help modernize electricity systems, improve efficiency and strengthen resilience amid these challenges. Drawing on expert interviews from various international organizations, case studies, and regional data, this policy brief showcases practical AI applications already delivering results in optimizing grid operations, unlocking energy savings in buildings and industry, and increasing energy market efficiency. It then lays out policy options at the regional and domestic levels to enable AI uptake, integration, and acceptance in energy systems.

The (Un)intended Consequences of Export Restrictions: Evidence from Indonesia (CEPR Discussion Paper No. 20791, CEPR)

An increasing number of developing countries are restricting non-renewable natural resource exports to encourage domestic processing, move up the global value chain, and spur local development. This paper studies the local labor-market effects of Indonesia's voluntary export ban on unprocessed nickel and bauxite in 2014, previously a major source of export revenue. Exploiting plausibly exogenous variation in the timing of the ban, opening of new processing facilities, and the location of Indonesia's mineral deposits, we find that—after an initial dip—major investments in nickel processing increased employment in nickel mining districts. New smelters drove structural change, shifting jobs from agriculture to mining and manufacturing. In sharp contrast, the ban only led to very limited investment in bauxite processing, causing bauxite production and local employment to fall. We also find that nickel processing raised mining employment in Indonesia's coal districts, which provide the main source of energy for nickel processing.

Bridging the Digital Divide: Harnessing Artificial Intelligence for Gender Equality in Asia and the Pacific (ADB Briefs No. 357, Asia Development Bank)

Amid challenges like underrepresentation of women in digital technology jobs and biased AI systems, the brief underscores the need to prioritize integrating gender equality in AI policies, codesign programs, and projects with gender-inclusive tools; expand funding for women-led and gender-

responsive AI solutions; and strengthen women's digital literacy, STEM participation, and leadership pipelines.

What Drives Digital Transformation Globally? Insights from 99 Economies (ADB Briefs No. 358, Asia Development Bank)

This policy brief draws on data from a study of 99 economies to analyze the evolving drivers of digital transformation—digital adoption, digital infrastructure, human capital, and institutional conditions—during two distinct phases: the early breakaway phase (2010–2015), and the catch-up phase (2016–2021). By analyzing economy-level data across these two phases and differentiating inputs, enablers, and outcomes of digital transformation from each other, the brief recommends how these drivers may be harnessed for future digital strategies.

What Explains the Success of Emerging Asia's Service Exporters? (ADB Economics Working Papers No. 806, Asia Development Bank)

Utilizing a structural gravity model, the findings indicate that supply-side factors predominantly drive service exports growth, rather than demand factors or trade policies. An in-depth analysis of these supply-side factors underscores the pivotal role of human capital, specifically education and English proficiency, in bolstering exports, especially within the region's digital business process services sector.

Comparative Lessons from Asia's National Digitalization Strategies: Indonesia, the Republic of Korea, Singapore, and Thailand (ADB Briefs No. 353, Asia Development Bank)

The Republic of Korea (ROK) and Singapore show how long-term digital investment pays off, while Indonesia and Thailand illustrate the route of rapid catch-up through effective policies, restructuring, and global collaboration. Key policy lessons are the need to invest in inclusive digital foundations, align digitalization with comparative advantages, foster innovation ecosystems, and strengthen cross-border digital cooperation.

Digitalization and Employment: Lessons from Developed and Developing Economies (ADB Economics Working Papers No. 802, Asia Development Bank)

In developed economies, the impact is nonlinear—initially positive but turning negative over time. In contrast, developing economies, including in Asia and the Pacific, experience a consistently positive and linear effect. However, the impact is weaker in developing Asia and the Pacific than in other developing regions. The role of job quality is crucial in determining whether digitalization leads to job creation or loss.

Leveraging Artificial Intelligence and Cloud Computing to Accelerate Growth in Asia and the Pacific (ADB Briefs No. 352, Asia Development Bank)

The brief highlights research findings on how AI and cloud computing contribute to productivity and economic growth. It emphasizes the importance of workforce development and data policy modernization and notes that countries with advanced policy frameworks generate higher returns on technology investments.

Jobs (World Bank East Asia and Pacific Economic Update, October 2025, World Bank)

EAP's GDP growth stays above the global average but is set to slow in 2025 and 2026 amid weak global demand, trade restrictions, and domestic challenges. Many workers remain in low-productivity or informal jobs, and poverty vulnerability now exceeds middle-class size. With export-led, labor-intensive growth fading, higher tariffs and automation weigh on jobs. Reforms that boost opportunity, skills, and productivity are key to creating better employment.

Decarbonizing the Power Sector in East Asia: Unlocking Investments to Empower Low-Carbon Growth and Competitiveness (World Bank)

This report reviews renewable energy development in East Asia and the Pacific, focusing on China, Indonesia, Vietnam, and the Philippines. These countries were chosen for their high energy demand, coal dependence, emissions, and renewable potential. It evaluates their roles in the clean energy transition, current renewable trends, growth drivers, and deployment needs. The report also identifies barriers—financial, grid, and investment-related—to variable renewable energy (VRE) expansion and offers policy recommendations based on global best practices.

Green Horizon: East Asia's Sustainable Energy Future (World Bank)

This overview outlines pathways to decarbonize East Asia's power and industrial sectors, which generate most of the region's GHG emissions. Focusing on China, Indonesia, and Vietnam—responsible for 80% of emissions and 88% of coal use—it highlights renewables' role in advancing growth and net-zero goals. Using research, surveys, consultations, and modeling, it identifies barriers to shifting from coal and enabling cleaner industrial technologies such as green hydrogen, carbon capture, and electrification. The overview builds on two regional studies and follows the 2010 World Bank report "Winds of Change."

Industrial Decarbonization in East Asia: Transforming Energy, Finance, Technology, and Jobs (World Bank)

This report is the first to systematically address the complex challenge of industrial decarbonization in East Asia, one of the world's most dynamic economic areas. Drawing on original data and in-depth assessments of three key economies - China, Indonesia, and Viet Nam, the report identifies viable technical pathways, unveils implementation challenges, and offers a comprehensive policy package to accelerate the transition to net-zero industry.

Navigating Trade Headwinds and Rebalancing Growth (Regional Economic Outlook for Asia Pacific, October 2025, International Monetary Fund)

Economies in the Asia-Pacific region have been resilient in 2025, posting stronger-than-expected economic growth in the first half of the year amid external and domestic challenges. Nevertheless, higher US tariffs and increasing protectionism will likely reduce demand for Asian exports and eventually weigh on growth in the near-term. Amid these forces, policies should focus on increasing regional integration by reducing barriers to trade and investment, and boosting productivity growth with better financial intermediation and allocation of capital. Additional measures to support the services sector, mitigate the impact of population aging, and upgrade policy frameworks are critical for resilient and sustainable growth, and would help prepare for future shocks.

Parameter Proliferation in Nowcasting: Issues and Approaches—An Application to Nowcasting China's Real GDP (Working Paper No. 2025/217, International Monetary Fund)

This paper compares three methods to tackle parameter proliferation in nowcasting: (i) variable selection via AS-ARIMAX, (ii) ML regularization, and (iii) PCA-based dimensionality reduction. Using 166 variables from 2007Q2–2019Q4 in rolling regressions, we test models—Bridge, MIDAS, U-MIDAS, DFM, and ML (Ridge, LASSO, Elastic Net)—to predict China's real GDP growth for 2020Q1–2023Q1. LASSO performs best when guided by economic judgment and sign restrictions, while simpler Bridge models with AS-ARIMAX selection deliver comparably strong results, highlighting the value of effective variable selection.

Industrial Policy in China: Quantification and Impact on Misallocation (Working Paper No. 2025/155, International Monetary Fund)

This paper measures the scale and impact of China's industrial policies on factor misallocation and productivity. Using firm financial reports and land registry data, it estimates that subsidies, tax breaks, cheap credit, and land support favored sectors at a fiscal cost of about 4% of GDP annually, with tax benefits rising over time. A structural model shows these policies distort resource allocation—subsidies spur overproduction, while trade and regulatory barriers constrain it—reducing aggregate TFP by

around 1.2%. The findings align with IMF advice to scale back and increase transparency in industrial policy.

Patterns of Invoicing Currency in Global Trade in a Fragmenting World Economy (Working Paper No. 2025/178, International Monetary Fund)

This paper compiles a comprehensive 1990–2023 panel on global trade invoicing currencies for 132 countries, including new RMB data, to analyze geopolitical patterns. It finds: (1) the US dollar remains dominant; (2) RMB use is rising beyond Asia but still limited; (3) non-US-aligned countries still rely on the dollar, with some decline; (4) since 2021, invoicing choices have polarized along geopolitical lines; and (5) dollar use in oil trade shows no policy-driven decline. Results underscore the resilience of major currencies and growing fragmentation in invoicing patterns.

The Impact of Aging and AI on Japan's Labor Market: Challenges and Opportunities (Working Paper No. 2025/184, International Monetary Fund)

This paper explores the complex roles of demographic changes and technological innovation in shaping Japan's labor market. We use regression analysis to assess the impact of population aging on labor productivity and shortages. Our findings indicate that the aging workforce contributes to labor shortages and potentially weighs on labor productivity. We also investigate occupational level data to identify the complementarity and substitutability of AI in occupational tasks as well as skill transferability. Our research reveals that Japanese workers face lower exposure to AI compared to their counterparts in other advanced economies, thereby constraining AI's potential to mitigate labor shortages. Furthermore, the disparities in skill requirements across occupations with different AI exposures highlight the importance of facilitating labor mobility from displaced jobs to those in demand.

Sri Lanka's Sovereign Debt Restructuring: Lessons from Complex Processes (Working Paper No. 2025/175, International Monetary Fund)

Sri Lanka's debt restructuring stands out for its complexity, driven by a diverse creditor mix and innovative instruments. Excluding from the G20 Common Framework, it required coordination among non-Paris Club creditors and domestic lenders. Commercial creditors sought instruments tied to macro performance and governance reforms. The IMF applied its new Sovereign Risk and Debt Sustainability Framework amid a severe fiscal and external crisis. The paper reviews causes, design, and outcomes, offering lessons on restructuring strategy and the IMF's role in debt-creditor engagement.

Credit and Product Innovation in Emerging Markets: Evidence from India (Working Paper No. 2025/192, International Monetary Fund)

We study how access to bank financing affects product innovation in a developing country context by analyzing a reform that broadened credit eligibility for many small Indian manufacturing firms. Newly eligible firms borrow more but, on average, do not introduce new or more complex products or expand product scope. Many firms appear to operate below efficient scale and use credit to expand existing

product lines rather than innovate. Moreover, most firms face several additional barriers that weaken the impact of credit on innovation. Among firms that do not face these additional barriers, credit access boosts innovation, as in advanced economies.

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