

15 August 2025

The Honorable Yun Cheol Koo

Chair, APEC Structural Reform Ministerial Meeting
Deputy Prime Minister and Minister of Economy and Finance
Republic of Korea

Dear Deputy Prime Minister Koo,

It is my honor and privilege, on behalf of the APEC Business Advisory Council (ABAC), to present to you our recommendations for APEC Ministers Responsible for Structural Reform.

Our number one concern is that we face significant financial and economic risks. Instead of coming together, we are going backwards in our efforts to drive trade and investment cooperation and support overall productivity and economic growth for all. The current global trade and financial systems are the proven pathway to growth and prosperity. There is an urgent need for ambitious structural policy reforms by all our economies to reduce regulatory burdens which discourage investment, increase competition and productivity, enhance labor force participation and support the sharing and uptake of new technologies. ABAC encourages Ministers to reaffirm the importance of collaborative efforts to enhance trade, strengthen investor and consumer confidence, and promote financial and economic stability for the benefit of all.

The following issues have been highlighted in our work this year:

Energy transition and security

We have reflected this year that, despite our efforts, the substantial investment funding gap for energy transition and digital transformation remains unresolved. It is imperative that we address the persistent and uneven infrastructure investment gap in the region – a gap that is worsening for energy. Addressing these financing challenges is crucial for closing the significant gap of USD 2.5 trillion annually needed to achieve net-zero emissions/carbon neutrality by 2050. There is a pressing need for economies to accelerate the transformation of energy systems, which contributes to a ballooning financing gap. To address this, strong leadership to drive bolder efforts in direct financing participation, and establishment of supportive financing mechanisms and frameworks is essential. Current progress is hindered by a lack of regulatory guidance and regional standardization.

While achieving our climate goals is an urgent priority, it presents significant challenges, including technological hurdles and cost burdens. Addressing the challenges is increasingly complex, given the region's diverse economic development stages, industrial structures, and energy supply frameworks.

ABAC urges APEC economies to establish an investment environment and frameworks for transition financing to secure necessary investments, balancing sustainable economic growth with decarbonization and low-carbon development requirements. A necessary baseline for this work is a robust electrification demand forecast by economy to determine demand gaps vs. existing capacity, infrastructure and energy sources.

Leveraging the Role of Insurance in Energy Transitions

The insurance sector is uniquely positioned to accelerate energy transformations across the APEC region. It not only helps to assess and manage complex risks, but also unlocks investment, supports climate resilience, and enables the deployment of key energy technologies. In order to maximize the full potential of insurance, **APEC should leverage the knowledge within the industry early on in project development, establish stable policy, regulatory frameworks, and harmonization across borders to build an enabling environment, align on the risk taxonomy, expediting development of risk management solutions, and activate cross-sectoral discussions with relevant stakeholders around energy transition and resilience.**

Digital transformation

As digital infrastructure expands to meet the growing demands of artificial intelligence (AI), cloud, and advanced computing, the energy and environmental impacts of data centers are rising sharply, particularly in economies with constrained grids or carbon-intensive energy mixes. Without coordinated action, digital growth risks becoming a liability rather than a strategic asset.

ABAC urges APEC economies to prioritize and invest in sustainable AI infrastructure—including data centers, computing infrastructure, water supply and power grids, to support both innovation and climate goals. APEC economies should coordinate investments in research and development and deployment of advanced cooling, heat reuse, integrated zone design, next-generation chips and semiconductors—scaling these technologies to maximize synergies and embed efficiency across data center operations.

Services and the digital economy

APEC policymakers must put services and the digital economy at the heart of their structural reform efforts. The growing share of services in gross domestic product (GDP) and in global trade, coupled with the rapid digitalization of economies, mean that sound policy settings in these areas have an outsized impact on prosperity and growth, and deliver important spillovers for innovation, inclusion and sustainability.

At the firm level, the operating environment is increasingly distorted by complex and burdensome regulations and by limited international competition. This reduces micro-, small and medium enterprise (MSME) access to productivity- and welfare-enhancing services (for business, healthcare and education as well as other areas) to digital infrastructure such as broadband internet, and to job and export opportunities. At the same time, approaches in the APEC region to digital economy governance, notably for cross-border data flows, are increasingly fragmented, and standards and regulations in other areas lack coherence; this raises transactions costs and reduces opportunities – burdens that fall particularly heavily on MSMEs, including those led by women and Indigenous entrepreneurs. The enormous promise of the services and digital sectors for inclusive growth is at risk of being squandered – unless APEC economies actively work to reform structural and trade policies in these areas. Reforms will be enabled through adoption of good regulatory practices and by ensuring that both policies and regulations are designed with cross-border interoperability and non-discrimination in mind.

ABAC calls on all APEC economies to embrace the World Trade Organization (WTO) Joint Statement Initiative (JSI) disciplines on domestic regulation in services, and to join and champion the integration of the WTO JSI E-Commerce Agreement into the WTO rulebook; these two initiatives will help to drive important reforms within all APEC economies. Greater transparency in regulatory development and application will also be important tools to help economies to achieve reform goals, and can be boosted through

the establishment of an APEC Repository for Digital Regulation, the development of a set of Model Digital Trade Provisions, and the adoption of a New Services Agenda to reform, facilitate and build capacity for trade in digitally-deliverable services. Lastly, ABAC strongly reiterates its call for APEC economies to commit not to introduce tariffs in the digital economy – an approach which threatens to choke growth and opportunity through increased costs and heightened uncertainty.

Financial inclusion: demographic change, labor force participation and harnessing pay equity

Significant demographic shifts of both aging populations and declining birth rates across the region, impact not just labor force participation, but have implications for health, education and gender public policies more broadly. Adopting structural reform strategies to address aging populations will be critical to leverage increased productivity and growth. ABAC welcomes Korea's effort to develop a leaders-level deliverable for APEC on demographic challenges. We encourage Ministers to consider the following issues in the development of the strategy to address the demographic challenge in the region:

- **Impacts on labor supply and workforce resilience.** Policies should be adopted that expand workforce participation, support cross-border migration and skills recognition, and leverage emerging technologies to counter demographic shifts, mitigate labor shortages, and strengthen workforce resilience by enhancing inclusion, productivity, and longevity.
- **Leverage** demographic data to make highly accurate predictions about the timing and scale of population-driven social and economic transformations. This enables governments and businesses to proactively develop mid- to long-term strategies.
- **Sustainable pension systems** and improved financial literacy, alongside accessible retirement planning tools, are essential to ensure financial security for aging populations, reducing poverty risks and enabling longer, more independent and dignified post-retirement lives.
- **Strengthening women's health** across life stages and advancing universal health coverage supports maternal well-being, empowers family formation, and boosts workforce participation—creating healthier, more resilient societies with inclusive economic and demographic outcomes.

Persistent gender pay gaps reflect deep-rooted structural barriers, such as occupational segregation, limited leadership access, and undervaluation of care work, that continue to constrain women's full economic participation. This year, ABAC has developed the *Equal Pay Framework*, a voluntary, business-led model designed to help employers, particularly MSMEs, measure and address wage disparities. The Framework complements APEC's Structural Reform Agenda and directly supports the Gender Equality Structural Reform Principles by offering practical tools to drive inclusive growth without regulatory burden. Adopting the Framework will strengthen productivity, modernize labor markets, and create more resilient, equitable economies across the Asia-Pacific. Addressing wage inequality is not just a matter of fairness, it is a strategic reform priority.

ABAC calls on Ministers to champion the *ABAC Equal Pay Framework* as a non-binding regional standard and to embed gender pay transparency within broader reform strategies.

Fintech ecosystems can help advance financial inclusion. This can be achieved through guidelines to ensure the security of financial systems, facilitating the establishment of digital banks by simplifying regulatory barriers and encouraging competition. This would also encourage the establishment of mechanisms to favor payment systems interoperability and enable seamless transactions across economies.

ABAC urges Ministers to address the need for structural reform which will enable innovation and promote inclusion.

Standardized tax and customs mechanisms to reduce frictions in trade

Customs authorities are increasingly scrutinizing related-party transactions. The fluctuating values of imports and exports, influenced by global events, complicate customs declarations. Additionally, MSMEs face significant challenges from market distortions, which can hinder their competitiveness and profitability. The lack of clarity in modifying import declarations and the differing methodologies between customs and transfer pricing regulations create complexities for taxpayers, leading to potential audits and compliance issues which ultimately translate into higher costs. Adopting a mechanism aimed at standardizing and simplifying customs procedures and transfer pricing challenges, through Advance Pricing Agreements (APAs) or ruling mechanisms wherein tax authorities, customs authorities, and taxpayers may agree on and clarify tax and customs implications in advance would overcome these issues. The solution should harmonically address, among all members, a practical mechanism for recognizing pricing adjustments from both tax accounting and customs perspectives in order to facilitate compliance. These adjustments must enable timely updates to import prices, while ensuring compliance with customs regulations. By adopting these measures, a more coherent regulatory framework that benefits both multinational companies and MSMEs, would be created, ultimately enhancing global trade efficiency.

We call on Ministers to support a mechanism aimed at standardizing and simplifying customs procedures and transfer pricing challenges, through APAs or ruling mechanisms wherein tax authorities, customs authorities, and taxpayers may agree on and clarify tax and customs implications in advance.

We commend these recommendations to you and look forward to discussing them with you when you meet in October.

Yours sincerely,



H. S. Cho
ABAC Chair 2025