

Interview with Dr. Rebecca Fatima Sta Maria, APEC Secretariat Executive Director

# APEC's Potential for Supplementing Global Leadership

By Japan SPOTLIGHT

APEC is an important venue for bringing together cooperative spirits among both developed and developing economies. There are some expectations that APEC could play a crucial role in global governance, helping to create a world of cohesion rather than division. Though it is not a binding international organization, its peer review pressure could encourage a more rules-oriented world and alleviate the chaos born of increasing geopolitical risks.

Japan SPOTLIGHT interviewed the APEC Secretariat Executive Director Dr. Rebecca Fatima Sta Maria.

**JEF: With the increase in geopolitical risks, economic security has emerged as a very important issue for international trade. Do you think the multilateral liberalized trading system will shift to one based on economic security?**

**Dr. Sta Maria:** Thank you very much for having me. Coming to your question on economic security, I think increasingly you're seeing that happen. But going back a few years, if you look at 2001, right after 9/11, we already saw that happening. You remember how our ports had to be certified as safe. We had to have a sort of agreement among ourselves that our ports would be safe for the transit of goods and for exports. In that sense our current situation is similar, although not the same.

The geopolitical situation today is so different. We cannot talk of trade supply chains without considering security aspects. For example, if you're looking at supply chains in logistics and the movement of goods, with the Red Sea crisis, with what's happening in Ukraine, and what's happening in the South China Sea, all these matters must be taken on board as we look at the flow of trade. When we talk of trade, I don't think it is about free trade anymore, it's about fair trade, it's about secure trade. Those things matter today.

**JEF: Whatever we call fair trade, free trade, and safety and security of trade, we need a rules-based international trading system.**



*Dr. Rebecca Fatima Sta Maria*

**Dr. Sta Maria:** At the end of the day, trade is not just two-way, it's multilateral because of the way supply chains are integrated. It's not just between two economies anymore, it's really about all of us working together. In that sense, it's in our interest that we consider what makes for better flows of goods.

When you're talking of a rules-based system, it is about us working together, and because of the nature of trade, no one economy can do it alone. At APEC, we have that opportunity. It's an opportunity for us to be able to work together to ensure that rules are put in place, whether through our free trade agreements or through the WTO, and that we follow those rules. If everybody ignores the rules, it will be chaotic for the world, so it's not about an individual

economy's interests, it's really about the greater good. And I think over and over again, we see this being articulated in APEC. Yes, it's aspirational, yes, it's a high ambition, but it matters. If you do not have rules in place, it makes it extremely challenging for business.

At the end of the day, trade policy is about making it easy to do business, and to grow our micro, small and medium enterprises. So, coming back to rules, yes, the more separate rules that you have, the more complicated it is for business. Therefore, having one set of rules makes sense, and that's why global trade rules are important. People can criticize the WTO, but really, what is the alternative? The alternative is chaos. This is an opportunity, and I really think it's the responsibility of all governments to ensure that when we look at trade rules, we look at them through the lens of facilitation and not the lens of protectionism.

**JEF: I see. You mentioned alternatives to the WTO. The**

**WTO isn't working very well mainly because of the malfunctioning dispute settlement mechanism, the Appellate Body in particular. Do you think the CPTPP and RCEP would be good alternatives to the WTO? A few years ago, we talked quite often about the possibility of an APEC FTA, or FTAAP. What do you think about an FTAAP at this moment?**

**Dr. Sta Maria:** Let me give an example of how we thought of the development of the CPTPP and the RCEP from my experience with Malaysia's Ministry of Investment, Trade and Industry.

When we in the Malaysian government were looking at developments at the time, rules on trade disciplines were being negotiated. At that time, if you recall, the United States and the European Union were discussing a mega trade agreement, the Transatlantic Trade and Investment Partnership (TTIP) they called it. Small economies that are open and trading economies that depend on trade, like Malaysia and Singapore, when we saw what was going on, we knew we had to pay attention to such developments. The Doha Round was not going anywhere, it was not giving us enough confidence. But given that these two big agreements, namely the TTIP and TPP were being negotiated, and because we're trading nations, we will ultimately be subjected to those rules because of the impact on value chains and supply chains, whether we liked it or not.

One of the reasons Malaysia decided to be a party to the TPP at that time was to make sure that we were in the room when the rules were being written. And because there were developing economies in the negotiations, it was more equitable in the sense that you took on board the interests of developed as well as developing economies. The RCEP took it one step further. I used to say that the TPP was a negotiation among equals, but the RCEP was more developmental. That agreement took on board the needs of the developing and the less developed economies.

The TPP evolved into the CPTPP, which I must say has gone one step ahead in discipline when it deals with state-owned enterprises, competition policy, intellectual property policy, and even dispute settlement. I maintain that the investor-state dispute settlement mechanism in the CPTPP is the gold standard. This is because we listened to our stakeholders, we listened to civil society, we listened to all the concerns. When the CPTPP was being negotiated, one of the biggest issues that was raised over and over again was about investor-state disputes and the rights of corporations to sue governments. I mean, that was a big, big story and there were so many protests, and the negotiators listened. If you look at the chapter on investor-state dispute settlement, it is to date the best for all of us, because it deals with processes before you can take a state

to dispute. The RCEP is not quite up to the same standard as the CPTPP in terms of rules, regulations, and disciplines, but it sets a certain standard to give us coherence across our rules.

Coming back to APEC, APEC is not a negotiating body, we do not sign agreements and we're non-binding. But what we can do, and this is what's being done this year, is look at what a Free Trade Area for the Asia-Pacific (FTAAP) should look like. You have the RCEP, you have the CPTPP, you have the Pacific Alliance, you have all these various trade agreements – how do you add value to that? The analytics and research arm of APEC, the Policy Support Unit, is almost done with their study on convergences and divergences in various aspects among all these agreements. This will then provide policy makers with some way to manage the future of our trade engagements in the region.

Although I say the CPTPP is the gold standard, there are still some things that we have not included because things are evolving. With the digital economy, while we have some aspects captured, we need to review this from time to time because technologies are changing. How do you include this? How do you factor in AI? How do you factor in AI in the context of your intellectual property agreements, for example? These things are evolving and so the conversations on the FTAAP will continue to evolve. We don't have an end goal for the FTAAP. An end goal would be a very idealistic, aspirational concept of what we see happening in the Asia-Pacific region, but to get to that point there are so many things we need to do. We have done some, and the study on the convergences and divergences would show where we have done very well and where we need to do more work.

Training and capacity-building will also have to be packed into the effort so that our civil service, our negotiators, understand what's happening and what is necessary in terms of industrial policy, for example.

**JEF: One follow-up question on the role of APEC. You said it's not a negotiation forum, but a sort of discussion venue for many emerging issues like capacity building that need to be discussed in the future, to be well-prepared for restoring a rules-based international trading system. Is that right?**

**Dr. Sta Maria:** Absolutely, that's exactly it. You can't have a set of rules and then freeze it, because the situation is changing. Things are evolving, technology especially, so we need to be able to make sure that even if we have rules, we must inject into those rules some level of flexibility in terms of reviewing, and making those changes to our benefit.

**JEF: That means many things can be expected in international trade rules in addition to economic security, including social issues like human rights and the environment.**

**Dr. Sta Maria:** Yes, as I mentioned earlier, you need rules. This is why, for developing economies, how and who determines those rules is important. If we do not have a level playing field for negotiating rules, like in the WTO, then the stronger powers will lead the way. Going back to what I said earlier, we must be in the room when the rules are being written, so that there is that opportunity for all of us, big and small economies, to have a say in those rules, and to say this is how it can work for me and this is what needs to be done.

**JEF: That means we need some sort of reasonable group of nations to promote reforms of the international trading system. Maybe ASEAN and Japan and maybe other Asian countries or APEC countries could perhaps be the core of that group. Do you think that sort of middle-power leadership would be needed?**

**Dr. Sta Maria:** Yes, thank you for highlighting that. I keep saying that whether it's in politics or economics, there is a role for middle powers. We have seen that we can hold sway if we speak with one voice. Going back to the WTO, in spite of the criticism of the WTO today, everything seems to hinge on the Appellate Body, but in reality, there are other things the WTO is doing that matter as much. The joint statement initiatives are important, so there's work being done there and I think that approach is more successful. You focus your energies on things that you can deliver. And with the WTO growing, it's just so big that it's difficult for it to move. There is definitely a role in that sense for Japan, ASEAN, APEC, to see how we can work together using mechanisms that are already established. This is also important for the RCEP in that context, to be more inclusive. You build that momentum and prosperity. The voice of the middle powers must come out stronger and stronger.

## **Role of ASEAN & Japan in Achieving Rules-Based World**

**JEF: Perhaps it will be very important to achieve closer relationships between ASEAN countries and Japan, because ASEAN and Japan could be the most important partners in achieving that purpose. Of**

**course, Japan and ASEAN have had very good relations for a long time, but do you think we need to strengthen our relations and make them closer?**

**Dr. Sta Maria:** I will answer this in my personal capacity. ASEAN and Japan have a very strong economic relationship that goes way back. Our supply chains are quite integrated. If you look at Japanese businesses in the auto sector, in the electronics sector, or even in the retail sector, for example, the omnipresence of Uniqlo in ASEAN is a phenomenon that I find encouraging. I recall that when we were negotiating the TPP, one of the problems that was highlighted to us was that you will get a lot of imports and Malaysians will suffer. The mentality was that imports of capital goods and intermediate goods were very good, but finished goods imports were very bad. They said we'll be displacing our small and medium enterprises in this business. We were confronted with data showing that imports of finished goods were going up, and they highlighted clothing in particular.

But when we analyzed further why this sudden increase in textiles and clothing was happening, we found that it was directly linked to Uniqlo's presence in Malaysia. This meant that we had to tell people, look, yes, we have an increase in imports of clothing, but we also have Japanese investment from Uniqlo, and because of that investment, retail real estate and jobs are created. Some people say that it's not high-end jobs, but at the end of the day, you still have an impact on the economy, because it involves the various aspects of the economy, including logistics chains. A lot of times we don't tell our stories properly regarding our relationship with Japan. When a Japanese company invests in Malaysia, for example, you also bring Malaysians to Japan to train them. This is something that I observed over the years. It's not just about coming in and setting up your company, but also about building the capacity of Malaysian engineers and technicians. That is the story that is under-told.

**JEF: Yes, that's an excellent suggestion. One more question about investment. There is a huge gap between Japanese external investment and internal investment, as you know. Do you think that Japan needs to do more to attract ASEAN companies to create a closer partnership between ASEAN and Japan?**

**Dr. Sta Maria:** There are some perceived barriers that present challenges to investing in Japan. Language is one. Access to human resources is another. I think really sorting those things out, having some kind of assurances on the investment environment in Japan,

would really support us. Understanding the legal systems is another. We all have different legal systems, but if you're going to put money into an economy, you need to be able to think about things like that.

## Importance of ERIA

**JEF: Two more questions. One is about ERIA. How do you assess the capacity or functions that ERIA has achieved so far?**

**Dr. Sta Maria:** Again, in my personal capacity, I think ERIA was a very good idea. It's important to have a kind of think tank for ASEAN. It tends to be Japan-driven, and you have a strong focus on energy. I think there is a lot more that we can do together by focusing on areas like access to intellectual capacity within the ASEAN+6, and looking at the newer areas where we can work together. Looking at the investment environment in Japan, what can we do more of there? Helping all of us understand in very simple terms the legal environments in Japan and ASEAN, and find coherence across that. How do we facilitate? What kind of structural reform do we need to focus on jointly between ASEAN and Japan?

And now what I really find very important is inclusive growth, sustainable and inclusive growth. We need to do more in that area. How do we tap into the potential, whether it's minority groups, or women, or micro, small and medium enterprises. With all the developments that are going on, how can ERIA help to pull this together? Studies like looking at convergence and divergence among all these agreements help us find opportunities. I think we can do more in our relationship with ERIA. How do we take advantage of it? We can do more through stronger relationships between ASEAN and the ASEAN Japan Center, ASEAN China Center, ASEAN Korea Center. We need to better integrate the work of these centers. Another role for ERIA is the work that's going on in ASEAN 2045. I think there's so much brainstorming we can do among ourselves. The policymakers can have their own ideas about how they see ASEAN 2045, but I think ERIA has a big role there in that we have the resources of the Plus Six. I think that's a big opportunity.

The other is technology, and I'm sure we need to figure out better ways to do it. You see that happening now with the digital economy partnership agreement, the digital economy agreements, so we need to see how ASEAN or ERIA can add value to those conversations. The other development is the green economy agreements. Where is ERIA's role in that?

## Exchange of Youth Among APEC Economies

**JEF: My last question is about the long-term relationship between ASEAN and Japan. How do we achieve a very constructive and long-term relationship between us? Perhaps things like student exchanges, exchanges among young scholars and entrepreneurs among APEC economies would be very helpful for consolidating productive long-term relations. Could you please tell us if the APEC secretariat has any projects or plans to initiate such kinds of efforts?**

**Dr. Sta Maria:** We have a number of ways of engaging young people in the APEC Secretariat. One is our internship program; for example, students majoring in economics join the APEC Policy Support Unit to help with the research. We also have interns coming into the secretariat and supporting different corporate functions. Another initiative that we have is an app challenge for young software designers and developers to come up with applications to help solve policy issues within APEC. We also have an initiative called Voices of the Future, where students from across the region come together at the end of the APEC year, on the sidelines of the Leaders' Week, discussing how they see APEC going forward.

Let me quickly link you to an idea that Japan could consider with ASEAN. There is the Asia New Zealand Foundation, for example. The Asia New Zealand Foundation is very focused on building relationships between Asia and New Zealand, and they have internship programs and dialogues among businesses. This is a nongovernmental body, not for profit, but it gets support from the government and industry. They build a relationship that is more informal, more social, but they build that relationship. So maybe a kind of Japan ASEAN Foundation. Building a network of students, entrepreneurs, and scholars. This is not a new idea. Maybe ERIA could engage some young researchers and have more interns.

**JEF: Thank you very much for your time and insights.**

**Dr. Sta Maria:** Thank you so much, I'm happy to have had a good chat with you. **JS**

Written with the cooperation of David S. Spengler, who is a translator and consultant specializing in corporate communications.