



[BEST OF THINK TANKS](#)

THINK ASIA - GERMANY TO BENEFIT AS ASIA REBOUNDS

**Joshua Posaner, Atlantic Community Editorial Team
| August 19, 2009**

Asia is leading the global financial recovery this summer, pulling away from the US and towards an independent path. An [Economist](#) analysis states that the regions growing economies hit hardest during the crisis, such as Thailand and Singapore, are bouncing back faster than anticipated indicating the continued shift of financial power from the West to the East. Domestically, Singapore's 50% and Indonesia's 90% stock market increase since January indicate a year of swift recovery ahead in Southeast Asia. Regionally, Asia is expected to achieve an aggregate 7-8% yearly growth over the next five years establishing itself as a global trade engine to rival the US.

Consequentially, Asia is seen to be decoupling from the US indicating its independence and diversifying its trading interests towards the EU. To illustrate this, the [Korea Economic Institute](#) is looking at the Free Trade Agreement in development between the EU and South Korea. Hyundai is seen to be the major winner, as the FTA will negate the 10% tariff that it currently faces assisting the development of the company's European factory in the Czech Republic, aiming to produce 300,000 vehicles per year.

However, many of South Korea's top exporters will fail to benefit from the move as they already enjoy tariff free trade in Europe through smaller investment deals. The agreement will create competition for the US in import trade with Korea as well as further developing Seoul's policy of greater trade liberalization with regional blocks. Although the agreement is not expected to come into force until 2010 (as it is still receiving a legal re-draft) it

comes at a time when Korean exports have been steadily dropping. As Im Chon Sok reports for the [Economic Research Institute for Northeast Asia](#), South Korean exports have dropped 25% in the first quarter of this year compared to the last. However, growth is still expected as Korea recovers steadily from the credit crisis and this new agreement will serve to guarantee future progress.

Accounting for 35% of all EU-Korea trade, Germany remains Seoul's principle European trading partner. With 80,000 already employed in Korean enterprises the Federal Reserve is set to benefit markedly as a steep rise in projects linked to Asian investment begins to develop. Some analysts believe the volume of Korean investment in Germany could move from its existing to 2.1 billion to 3 billion by the end of next year.

The United States is subsequently turning to bilateral ties with Asia's less developed economies. The director of the [Cambodian Institute for Cooperation and Peace](#), Vannarith Chheang, published an article expressing delight at the removal of both Cambodia and Laos from the US trade blacklist last month. This move has served to prop up the textiles industry in Cambodia over recent weeks and will help to "advance the cause of Southeast Asian regional integration and Asia Pacific Community Building." Europe may subsequently suffer here as competition and prices rise on imports, the high of US\$600 million in import volume from Cambodia in 2006 may mark the upper threshold unlikely to be repeated soon.

Also this month, the [Singapore Institute of International Affairs](#) ran an analysis on how to shore up Asia-US economic ties. Simon Tay argues that links should not be taken for granted and that Asian cooperation is vital to success in efforts to bring North Korea and Burma in from the political wilderness. Tay also recognized that the traditional economic relationship in which "Asians produced and saved, while Americans consumed and borrowed" is changing and indeed, becoming far too simplistic to explain the Asian model of

development.

Finally, the [Institute of Southeast Asian Studies](#) in Singapore has released a journal paper lamenting the “frustrated” regionalism across the continent. Deepak Nair argues that the failure of international actors to develop regionalism in Asia has been due to an over optimistic approach in the early 1990’s. This idea of an inclusive Asia that helped spawn APEC slowly gave way to the concept of an exclusive East Asia in the late 2000’s shaped by the global financial crisis, security fears and subsequent protectionist tendencies. The difficulty in properly conceptualizing an Asia Pacific region means that it becomes increasingly difficult to fully integrate it into a pattern and agreed set of norms. These structural constraints are blocking the East Asian Summit (EAS) from developing a holistic approach to regionalism and instead leaving actors frustrated. With cross continental regionalism stunted in Asia this will allow Germany to work bilaterally and exclusively with state level financial markets as Asian diversification away from the US continues.

› 1
›
›
