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Asian Tigers: New Vulnerabilities to Crisis?

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Much of Asia, and especially East Asia, is growing at an impressive rate, though less than before the East Asian crisis. This allows for a very significant reduction in poverty. Continued high growth in this area is crucial as it has a large proportion of the world's poor. Dynamism and growth in Asia is important for growth in the rest of the world, and for meeting the MDGs.

A financial crisis could undermine this progress – the financial and development costs from the 1997/8 East Asian crisis were massive. Over the last 25 years currency and banking crises have reduced incomes of developing countries by around 25 per cent, emphasising the importance of minimising the risk of crises occurring as much as possible.

Sustaining high rates of growth is the challenge for East Asian policymakers. East and South-east Asian countries are increasingly dependent on exports; adjustment of global imbalances leading to a global economic slowdown could hit these countries hard. Also the low-income countries analysed here have a narrow export base (though very dynamic), which make them even more vulnerable.

Several articles in this *IDS Bulletin* highlight a shift in the banking system. If in the past it was good for supporting growth but weak for risk management, since the crisis it has moved towards better risk management but also towards weaker support for corporate activity. Credit is shifting from producers to consumers and the mortgage sector (following a worldwide trend in bank lending). Of concern is whether these trends could undermine the high growth of East Asia.

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