

The Brittleness in the growth models of eastern asian countries

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Since the 1970s, the world has seen an impressive growth of Eastern Asian countries. With the annual growing rate of 7 percent, and the great efforts in reducing poverty of 70 percent (in comparing with 1990), Eastern Asian economy is known as a special, impressive evidence of a “miracle story”. In 1996, Eastern Asia countries experienced a serious breakdown in growth rate, and from July 1997 to the end of 1998, there was a terrible shock for these countries of a financial crisis. The crisis showed us a lively lesson about the bubble economies, about the lack of reality in the growing models of region. In 1997, the lack of confidence of the investors continued to take these countries to situations that are more difficult. Two years later, the growth recovered again, the financial market backed on track, the investors came back and the private investment resource became more optimistic. The good growing figures of recent years have proved these impressive performances, though the brittleness remained. The worsening outlook for major industrial economies is buffeting developing Asia’s export, equity, and offshore bond markets. The region clearly remains heavily reliant on industrial countries for its exports and has not uncoupled from their business cycles. The loss of investor confidence in industrial countries’ equity markets has crossed over to Asia. The risk premium on dollar-denominated offshore bonds of Asian issuers has risen sharply since the outbreak of the subprime crisis in the United States. The purpose of this paper is to focus on exploring the weaknesses of the regional growth models.

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