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Economist Krugman: Malaysia ready for dramatic take-off

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KUALA LUMPUR, Sat. - Malaysia is set for a "dramatic take-off" among Southeast Asian countries after achieving full economic recovery, international economist Paul Krugman said today.

He said Malaysia joined South Korea in returning to pre-crisis levels in several sectors, including income.

"It's very bifurcated. There is the initial euphoria that the worst has passed. If you look at the four original crisis countries, (South) Korea and Malaysia have had full-fledged recovery. They're really back on the track they were. They're above pre-crisis levels in income and all that," he said in an interview over CNBC Asia television.

He had been asked by Bernard Lo on the Lo and Company Show if East Asian countries were on the right track "in this neck of the woods".

Krugman said Thailand and Indonesia had not got back on track to pre-crisis levels.

He said many people in Thailand and Indonesia had not recovered from the economic downturn despite Gross Domestic Product having recovered.

"We don't really see signs of a dramatic take-off in the Southeast Asian economies other than Malaysia. So we're still not out of the woods," he said.

Asked what would be his prescription at this time of the year, Krugman said the time when radical solutions would have worked had passed.

"If you really ask, could Indonesia or Thailand do a Malaysia now? The answer is no. They don't have the administrative capacity and the expectations of depressed economies are too firmly embedded. So now it's slow spade work," he said.

Krugman said that while there were "sins" in most economies of (East) Asian countries, there was nothing that justified the scale of the setback and that could be seen by the way some economies came roaring back.

"When (Prime Minister Datuk Seri Dr) Mahathir (Mohamad) said that Malaysia is a fundamentally sound economy, considering the pace of the recovery, you have to say he was mostly right," he said.

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