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Proposal for another regional financial centre needs detailed study

Hardev Kaur in Jakarta

THE proposal for a financial centre, possibly in Brunei, to facilitate financial transactions between Malaysia, Indonesia and Brunei, needs to be studied in detail despite the presence of several existing such centres in East Asia and South East Asia.

Indonesian President Abdurrahman Wahid, who had discussed the proposal with the Sultan of Brunei recently, raised the matter during bilateral talks with Prime Minister Datuk Seri Dr Mahathir Mohamad at the Merdeka Palace on Thursday.

Finance Minister Tun Daim Zainuddin said details of the proposal, as well as implications of another financial centre in the region, must be studied.

While it was not easy to establish a financial centre, Daim said the proposal should not be rejected.

Currently there are at least five financial centres in the region - Labuan International Offshore Financial Centre (IOFC), the Bangkok Financial Centre, Singapore, Hong Kong and Tokyo.

Asked whether there was room for another financial centre in the region, Daim replied: "If there is business, why not?"

In fact - Malaysia, Brunei Indonesia and the Philippines - members of the East Asia Growth Area (EAGA) have agreed that the Labuan IOFC should serve as the financial centre for the region.

Even so Daim said the proposal should not be rejected outright, adding that Indonesia and Brunei might have their reasons for it.

The next step would probably be for Indonesia and Brunei to work out the details of the proposal.

When Malaysia decided to set up Labuan IOFC it undertook several detailed studies including looking at operations of existing financial centres, such as the one in Cayman Islands.

Daim, who accompanied Dr Mahathir during the visit, held parallel discussions with his counterparts and other Indonesian economic ministers. Other Malaysian ministers in the entourage were Minister of Primary Industries Datuk Seri Dr Lim Keng Yaik, Minister of International Trade and Industry Datuk Seri Rafidah Aziz and Foreign Minister Datuk Seri Syed Hamid Albar.

The need to establish a road link between Brunei, Indonesia and Malaysia to facilitate communications was also raised. Daim said there was already a road and this might have to be extended and it would be within the EAGA area.

He pointed out that roads offer one of the cheapest forms of transportation and thus the proposal for the road link and its extension could facilitate increased business activities, investments and tourism in the region.

More than 160 entrepreneurs were in the Malaysian delegation.

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