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LABUAN TO BECOME WINDOW TO MALAYSIA, SAYS PM

KUALA LUMPUR, Feb 5 (Bernama) - Labuan will become a window to Malaysia in attracting new sources of foreign capital to finance the country's rapid industrialisation process, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Speaking at the opening of a two-day conference on +Labuan: An International Offshore Financial Centre+ here, he said the island of Labuan was expected to play a key role in the effort to develop Malaysia into a truly viable regional financial centre.

Datuk Seri Dr Mahathir said the launching of Labuan as an international offshore financial centre represented an important part of the strategy to develop financial services to support the nation's development thrust.

He added that in the years ahead, priority would be given to the further development of the financial services industry as a more efficient, innovative and competitive financial sector was vital to the growth process and overall development of the nation, particularly as the economy becomes increasingly more modern and industrialised.

The Prime Minister also said that numerous queries and interest shown by various parties in the Labuan IOFC, indicated that the island could create a niche for itself.

Datuk Seri Dr Mahathir said: +We aim to develop it to meet the banking and insurance needs of multinational companies and high net worth individuals and families in the Asia-Pacific region, who wish to protect their internationally held assets and trusts as well as minimise their tax liabilities.+

+Indeed, I am confident that Labuan will be an excellent domicile for many regional insurers and reinsurers who are far-sighted enough to take advantage of the potentials arising from rapid growth in the region,+ he added.

The Prime Minister however pointed out that Malaysia's enthusiasm to develop Labuan should not be construed by potential offshore companies as a proclamation of a +free-for-all policy+ for the island.

He said Labuan would be a selective suitor and would only woo those who are reputable and who are prepared to set up operating offices on the island.

While saying that the government's vision for Labuan was that of a bustling functional township, which some experts said might take at least 10 years to realise, he nevertheless was confident that +our vision will be achieved sooner, rather than later+.

He however dispelled fears that the government had created an entrepot for legalising illegal drug money and other laundering activities in the region.

Datuk Seri Dr Mahathir said: +Our stand on such matters is well-known and we will have nothing to do with facilitating any illegal activity, least of all transacting in the ill-gotten gains of crimes that so abhorrent to us.+

+In this connection, I must stress once again that it is the government's intention to admit only offshore players of integrity and high international standing into Labuan,+ he said.

+This selective process is not limited only to the offshore banks, offshore insurance companies and offshore investment companies, but will also be the standards set for professionals who provide the support services, such as legal, accounting and trust services,+ he added.

Datuk Seri Mahathir said today's developments in the world economy gave Malaysia added reasons for developing Labuan as an international overseas financial centre as the turn of events over the last couple of months underscored the fragile state of the world economy.

+Latest indicators suggest that the longest-running post-war economic expansion is grinding to a halt,+ he said adding that the United States and United Kingdom were already in recession.

These developments, he added coupled with the breakdown in the General Agreement on Tariffs and Trade negotiations and the outbreak of war in the Gulf region, have cast a dark cloud of uncertainty over the global growth prospects in the decade of the 1990s.

Datuk Seri Dr Mahathir also said that amidst this gloomy scenario, the silver lining was that economies in the Asia-Pacific region continued to expand in the 1990s.

The high rates of saving and investment in this region, coupled with pragmatic domestic macroeconomic management, and willingness to undertake necessary structural reforms, an educated work force, and political stability, all augured well for the continuing bright prospects of the economies in Asia-Pacific.

Malaysia is an integral part of the Asia-Pacific region and much of the upsurge in foreign investments inflows in recent years emanated from Japan and the rapidly growing economies of Taiwan, South Korea, Hong Kong and Singapore.

+Indeed, Taiwan has emerged as the single largest source of new foreign investments, surpassing the traditional leaders such as the United States of America and Europe,+ he said.

Datuk Seri Mahathir added that it is with this sense of wanting to forge closer relationships between nations in the region that Malaysia had recently proposed the formation of an East Asian Economic Grouping.

+Many nations have expressed their support for this idea, which we believe, once implemented, will inject even greater dynamism into the region and ensure balanced and free trade,+ he said.

The government on its part would continue with the current policies which had proven successful in promoting Malaysia as an investment centre and where necessary, new measures, including fiscal incentives, would be introduced to ensure that private investment spending remained sufficiently high to support economic growth and development.

Datuk Seri Dr Mahathir added that efforts would be intensified to maintain a conducive investment environment for the private sector to flourish which would include increased allocations in the Sixth Malaysia Plan for the upgrading of infrastructural and other support facilities in line with the needs of a rapidly expanding economy.

The Sixth Malaysia Plan (1991-1995) would spell out the government's commitment to providing the necessary support to ensure that the administrative, industrial and human resource infrastructure is in place to support private sector investment and growth.

While declining to provide the details of the Sixth Malaysia Plan before it is tabled in Parliament at the end of June this year, Datuk Seri Dr Mahathir however assured the private sector that the favourable business climate that the country was witnessing today would continue to be promoted.

+The government aims at greater liberalisation. Our track record speaks for itself.

+Further measures would be announced later, together with the release of the Second Outline Perspective Plan in June,+ he said.

The two-day conference is jointly organised by the Malaysian Industrial Development Authority, the Malaysian Institute of Accountants and the Malaysian Insurance Institute. About 250 participants including prominent bankers and experts from the financial sector are attending the conference.--Bernama