

# PM: Labuan won't be centre for 'laundering'

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By Robert Goh

KUALA LUMPUR, Tues. — Labuan will not be allowed to be turned into a centre for legalising illegal drug money and other related activities in the region, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Towards this end, the Government would only admit international financiers of high repute and professionals with integrity to help turn Labuan into an international offshore financial centre (IOFC), Dr Mahathir said.

The Prime Minister said: "Let me dispel any idea and forestall any criticism that the Government has created an entrepot for legalising illegal drug money and other laundering activities in the region.

"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 are so abhorrent to us.

"In this connection, I should stress once again that it is the Government's intention to admit only offshore players of integrity and high international standing into Labuan."

Speaking at the opening of a two-day conference on Labuan as an international offshore financial centre here, Dr Mahathir said the selective process was not limited only to the offshore banks, offshore insurance companies and offshore investment companies, but

would also be the standard set for professionals who provide support services, such as legal, accounting and trust services.

The Prime Minister was confident that the numerous queries and interest shown by various parties for the Labuan IOFC indicated that it could create a niche for itself.

He said Labuan's close geographical proximity to many Asian capitals gave it an ideal position for development into an integrated financial centre.

The Government intended to develop Labuan to meet the banking and insurance needs of multinational companies and high net-worth individuals and

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families in the Asia-Pacific region who wished to protect their internationally-held assets and trusts as well as minimise their tax liabilities.

Dr Mahathir said he was confident that Labuan would be an excellent domicile for many regional insurers and re-insurers who are far-sighted enough to take advantage of the potentials arising from rapid growth in the region.

"Yet, in our enthusiasm to develop Labuan, let me say that our efforts and overtures should not be construed by potential off-

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shore companies as a proclamation of a 'free-for-all policy' for Labuan.

"On the contrary, Labuan will be a selective suitor and will only woo those who are reputable and who are prepared to set up operating offices in Labuan," Dr Mahathir said.

The Prime Minister added that he was aware that in some tax havens, an offshore company needed only to maintain its presence through a name or brass plate.

Such IOFCs were treated as post offices by the offshore companies and were at best "ghost towns" for names without real "bodies", he said.

The Government's vision for Labuan was certainly not of this vintage, but that of a bustling functional township. It may take time and experts had warned that even the Cayman Islands took about 10 years to be fully established.

Dr Mahathir said: "But we are confident that our vision will be achieved sooner, rather than later," adding that developments in the world economy today gave the Government added reasons for developing Labuan as an IOFC.

The turn of events over the last couple of months

underscored the fragile state of the world economy.

Latest indicators suggested that the longest-running post-war economic expansion was grinding to a halt, while the United States and the United Kingdom were already in recession.

These developments, coupled with the breakdown in GATT negotiations and the outbreak of war in the Gulf region, had cast a dark cloud of uncertainty over the global growth prospects in the 1990s.

In this gloomy scenario, the silver lining was that economies in the Asia-Pacific region continued to expand in the 1990s.

Dr Mahathir said the Government had identified a series of development projects to turn Labuan into an international offshore financial centre of repute to cater for the short and long-term needs of offshore investors on the island.

He said some of the development projects were already being implemented while others were in the final stages of planning, prior to commencement of work.

He said there were plans for office buildings, fully equipped with the latest of-

ice technology, to be built in a financial park or business district.

To ensure that telecommunications facilities meet the high standards required of an IOFC, various projects were being undertaken by Syarikat Telekom Malaysia to immediately upgrade such facilities.

The Government had also requested Malaysia Airlines to schedule more direct flights between Labuan and here, and between Labuan and Kota Kinabalu.

If demand was justified, there would also be direct flights from foreign points into Labuan, he added, while the construction of a modern hospital to serve both residents and non-residents was also being expedited.

Since the six key legislations aimed at launching Labuan as an IOFC came into force last October, six banks, five legal establishments and eight accounting firms have been established there.

Some 200 participants are attending the conference which is being organised by the Malaysian Industrial Development Authority (MIDA), Malaysian Institute of Accountants (MIA) and the Malaysian Insurance Institute (MII).