

THE OFFICIAL OPENING OF THE LABUAN FINANCIAL PARK COMPLEX
WILAYAH PERSEKUTUAN LABUAN, 29 AUGUST 1996

Terlebih dahulu, saya ucapkan terima kasih kepada pihak Bank Negara yang telah menjemput saya untuk merasmikan pembukaan Kompleks Ujana Kewangan Labuan pada hari ini.

2. Saya telah beberapa kali datang melawat Labuan di masa lepas untuk melihat kemajuan yang telah dicapai di sini. Tidak syak lagi bahawa hari ini adalah hari yang paling ramai tetamu berkunjung ke Labuan berbanding dengan masa-masa lepas. Saya tidak pasti samada semua yang ada di sini telah dapat menempah bilik hotel untuk bermalam. Mungkin ada yang perlu berkongsi bilik.

3. I am very pleased to be here this morning to officiate the opening of the Labuan Financial Park Complex. It is a pleasure for me to welcome so many leaders of the financial community and the corporate world to Labuan. Today's ceremony marks the culmination of efforts to provide the basic infrastructure for Labuan to operate as an International Offshore Financial Centre (IOFC). I am glad that Bank Negara, which is responsible for the construction of this integrated office, shopping and residential complex has been able to complete the project within the scheduled time. This complex which is on a site of 4.6 hectares, I was told, will eventually have a built-up area of about 198,000 square metres, of which 35 percent will be office space, 14 percent for commercial use, and 17 percent for residential with condominium and all the amenities for modern living.

4. Labuan has a lot to offer for visitors who want to combine work with pleasure or for those who just want to come to Labuan to enjoy a clean and healthy holiday. There will be an 18-hole golf course in Labuan which should meet the needs of keen golfers. Sea activities such as fishing and diving and other sea sports in this unspoilt island are also being further developed and packaged to attract the discerning visitors. Labuan indeed will be an ideal get-away from the concrete jungle and stresses of city life. Yet it will be a place for you to discuss your finances and get international expertise on how to maximise your returns on investment or minimise the cost of borrowing while enjoying the sun and beach and all of nature's bounty. In addition, short hops by plane will take you to Malaysia's premier diving resort of Layang-Layang right in the middle of the South China Sea or to the fantastic Mulu Caves, the biggest cave in the world.

5. Besides, Labuan is a tax-free port where imported goods are cheaper than on the mainland. This in itself can develop into a big business, not just to sell to tourists but for exports

and imports and the management of depots for freight operators where holding cost would be much lower.

6. Our efforts to develop Labuan into a successful IOFC have shown good progress. To date, there are about 800 offshore companies operating in Labuan, of which more than 50 are offshore banks, eight offshore insurance companies and 16 trust companies. Apart from these, we are now focusing on the development of the offshore insurance industry. At the same time, trust business is another priority area which is receiving immediate attention, especially with the passage of the Offshore Trust Act in July last month. As for the offshore banks, there is a good representation of some of the biggest names in the business. A total of 12 nations are represented by the banks operating in Labuan, including Japan, United Kingdom, Belgium, France, Germany, Switzerland, The Netherlands, Hong Kong, Singapore, Canada, the United States and Malaysia. What needs to be done in the area of banking is to encourage greater linkages and value added activities in treasury operations, foreign exchange dealings and capital market instruments, including Islamic financial products.

7. Notwithstanding the above progress, there is still a lot of scope for further growth and development of the Labuan IOFC given its excellent location, the stable political environment, the sound financial system as well as the various tax and other incentives to promote Labuan. With the completion of the Financial Park Complex, the recent establishment of a single regulatory agency, LOFSA, and the shift of the management offices of the offshore banks and insurance companies to their offices in Labuan since April 1996, the growth prospects for Labuan are brighter than ever before.

8. On the part of the Government, additional measures are being adopted to establish Labuan as a premier IOFC. The Government has just passed the Offshore Trust Act last month and has identified Offshore Limited Partnership, Offshore Securities Industry and Offshore Islamic financial services to be covered in new Acts which are in the pipeline. The existing legislations are also being reviewed to facilitate future growth of offshore financial activities in Labuan. For instance, the Offshore Companies Act 1990 will be amended to allow Malaysians to own offshore companies as well as permitting offshore companies to invest in Malaysia.

9. While the Government can create a conducive environment for business, successful business and conversion of opportunities into profits still rest on the ingenuity of private initiative and enterprise. Malaysia has a strong record in promoting private enterprise. I do not think it is necessary for me to

emphasise that the pace of business expansion in Labuan is entirely up to you. On our part, we will remain pragmatic, and open to suggestions by you on how to develop Labuan further.

10. Apart from serious business, we have not forgotten the need to develop the lighter side of Labuan. The Government has agreed in principle to cut down the number of hours visitors must be in Labuan before they are entitled to buy duty-free goods, from 72 hours at present to only 24 hours. This should improve the attractiveness of Labuan for duty-free shopping. And we expect that as more people come through and to Labuan, the higher will be the frequency of flights in and out of Labuan to facilitate business and casual travellers. In this regard, we will try to make it as affordable as possible for tourists to visit Labuan and for travelling costs of the business community to be kept low. Similarly, the tariff rates for telecommunication facilities would be kept as competitive as possible to make it attractive to set up business and offices in Labuan.

11. While we are promoting Labuan to be successful IOFC, it is important to remind ourselves that Labuan is not a competitor to Kuala Lumpur, but rather the two complement each other. What is clear to me is that there ought to be some sort of a 'bridge' linking Labuan and Kuala Lumpur in terms of players, products and infrastructure. As you know, the Government is committed to developing the capital and financial markets in Malaysia to play a more active role in the region. Towards this end, efforts are being intensified to promote Malaysia as a regional capital market and for foreign financial institutions to pick Malaysia as their regional base. This will be centred in Kuala Lumpur supported by Labuan IOFC. One of the 'bridges' which is being actively discussed is the setting up of an international stock exchange in Labuan to provide for listing of offshore companies, funds set up in Labuan as well as international companies. This listing can actually be done either in Kuala Lumpur or Labuan. What Malaysia aims to offer you is the flexibility to tap the existing infrastructure and expertise and incentives available in Kuala Lumpur and Labuan so that you can choose to use them to your advantage with the help of telecommunication and electronic facilities.

12. We are confident that with the innovative spirit and the pragmatic approach adopted by the Government, Labuan will continue to prosper into the future. In the meantime, several areas which are receiving special attention are the trust business, the insurance industry, and the deepening of the banking activities especially in the areas of treasury management and foreign exchange operations. In addition, Islamic financial services are being developed as an important

niche for Labuan. And this niche will need to be pursued vigorously in Labuan to take advantage of Malaysia's headstart in Islamic banking so that Labuan IOFC will be a significant centre for the issue and marketing of internationally accepted Islamic instruments.

13. The further development of Labuan, as with other financial centres, depends critically on the availability of a workforce with the right skills. The offshore financial industry should spare no effort in the training of staff by having structured training programmes in areas related to their work. Such training must be provided to employees at all levels so as to fully understand the mechanics of offshore business and the changing dynamics of the market. I am glad to note that the Institute of Bankers Malaysia is planning to establish a branch in Labuan. Some twinning programmes could be arranged with those in other offshore centres to benefit from their long-term involvement in such activities. In addition the Government has adopted a liberal approach in allowing foreign professionals to come and work in Labuan, including extending a tax incentive for foreign professionals. While tax advantage may be the driving force in the business and growth of the IOFCs in the short-term, the availability of skills, expertise and professionalism would be the critical factors to sustain the growth in the long run.

14. Kita berkeyakinan penuh bahawa Labuan akan berjaya sepenuhnya sebagai sebuah IOFC dalam jangkamasa lima hingga sepuluh tahun yang akan datang. Pembentukan sebuah IOFC yang berwibawa akan memakan masa untuk betul-betul menambat keyakinan dan kepercayaan pelabur. Proses ini kadangkala tidak boleh disingkatkan kerana satu langkah yang salah sahaja boleh mencemar nama baik sesebuah IOFC, sekaligus boleh meruntuh keyakinan yang dibina selama ini. Bagi kita di Malaysia, kejayaan Labuan bukan sahaja akan memberi manfaat kepada pulau Labuan, tetapi boleh juga dirasai kesannya di kawasan seberang di Sabah. Bandar Menumbok di Sabah adalah lebih kurang lapan kilometer jauhnya dari Labuan, di mana sudahpun terdapat perkhidmatan feri di antara kedua-dua tempat tersebut. Ini akan meredakan tekanan fizikal ke atas Labuan dan sekaligus dapat membangun kawasan pendalaman Sabah yang berhampiran sama seperti pertumbuhan Johor Bahru kerana Singapura. Justeru itu, pembangunan Labuan IOFC dengan secara tidak langsung akan memberi kesan yang begitu meluas terhadap pembangunan negara keseluruhannya.

15. Apa yang dijelaskan di atas mungkin merupakan satu mimpi lima tahun yang lepas. Sekarang ini ia merupakan satu kemungkinan. Dalam sepuluh tahun akan datang ia mungkin menjadi satu kenyataan. Begitu jugalah dengan Bangunan Ujana Kewangan. Ianya tersergam indah sebagai satu realiti pada hari

ini, juga sebagai pendorong kepada kejayaan yang lebih besar yang perlu diterokai oleh Labuan, sebagai sebuah IOFC.

16. Dengan azam dan tekad yang sedemikian, saya dengan sukacitanya merasmikan Kompleks Ujana Kewangan Labuan atau Labuan Financial Park Complex.