

**LABUAN: AN IDEAL OFFSHORE CENTRE FOR  
OFFSHORE INVESTORS**

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## ABSTRACT

This research is carried out with the intention to know whether Labuan IOFC is an ideal centre for making offshore investment and seeking offshore financing. To measure Labuan as an ideal centre, several factors are examined. Some of the factors are those factors that could contribute to the success of an offshore centre which has been encountered by a previous research made by A Banker Research Unit. While others are factors that could influence the decision of an investor in choosing an offshore banks.

Six factors are examined in this research namely taxation structure, facilities provided by the Government, Government support, banking regulations, restrictions on foreign owned banks and bank factor. Looking at those factors it can be concluded that Labuan is an ideal offshore centre. Feedback from the respondents can also be concluded that Labuan is capable of being a developed offshore centre similar to other well known offshore centres. However, for Labuan to be suited to the level or at par with other offshore centres, has been questioned by a number of observers.

Though lots of efforts have been put in developing Labuan as an ideal offshore centre, the number of offshore banks and its capability of attracting foreign funds to the centre are still being argued after six years of its operation.

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# CHAPTER 1

## INTRODUCTION

### 1.1 LABUAN : INTERNATIONAL OFFSHORE FINANCIAL CENTRE (IOFC).

On the 1<sup>st</sup>. October 1990, The Malaysian government has declared The Federal Territory of Labuan as an International Offshore Financial Centre (IOFC). As such, the Government hopes that Malaysia will be one of the attractive investment centres in the Asia-Pacific region and serve as a strong weapon to strengthen the existing financial system.

Historically, Labuan was once a quiet island with the estimated population of 35000. The main economic activities were confined to fishing, barter trade and ship repairs. The declaration of Labuan as a Federal Territory few years ago has given some impacts to the island and its population. Added with the declaration of Labuan as an IOFC, the island has progressed considerably. Forty per cent of the land has been developed and the population has grown to around 60 000.