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Negara Brunei Darussalam
A Country Study on the Wealthiest State
in South East Asia ¹

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1. Introduction

There are several incentives for having a closer look at one of the smallest nations in the South East Asian region, called BRUNEI DARUSSALAM. The two smallest states, Singapore and Brunei - in this order - are both wealthy nations but for quite different reasons. The former has a predominantly Chinese population in an originally Malay country which for more than a quarter of a century has been governed by a strong regime. The wealth has been created by high added value of production and services, since it does not dispose of any natural resource. The latter, with a predominantly Malay population, owes its wealth essentially to its oil and gas reserves. This natural resource of wealth has been masterly managed and at the same time benefited of an important value increase at the right moment.

The two countries are located in a part of the world where economic growth has been considerable for some time and which continues to catch the attention of the industrialised world. Contrary to Singapore, the Brunei development is not so well known apart of what happens in the hydrocarbon industry. Whereas Singapore is one of the most open economies of the world and located in the centre of Asia, Brunei lies a bit apart and the Islam faith, to some extent, screens it off for all too pronounced foreign influences.

Once one visits the country and meets its inhabitants, one is surprised by the very friendly welcome and the warmth of the traditional Malay community in a relaxed environment. Information about Brunei is not so abundantly available, however. The best way to collect it is to go and catch it on the spot. The aim of this paper is to give an all-round survey of the country and its economy. The collected information has been obtained from official publications and other documents available, as listed at the end of the paper. Some information has been collected during a visit to the country in December 1993.

2. ASEAN

Before going into details about Brunei Darussalam, let us first have a look at the five other members of the **Association of South East Asian Nations**. The South East Asian region includes Vietnam, Laos, Cambodia, Myanmar (Burma) and the six members of ASEAN: Indonesia, Thailand, Malaysia, the Philippines, Singapore and Brunei.

The former group of countries followed the communist-socialist economic and political ideology, whereas the latter adopted market economy systems.

ASEAN was launched in August 1967 by the present members except for Brunei which at that moment was still a British Protectorate. The five others had already achieved their independence earlier: the Philippines in 1946, Indonesia in 1949, Malaysia in 1957 and Singapore in 1963. Thailand was always an independent kingdom. The aim of ASEAN was to promote economic co-operation among member states. It was also meant as an anti-Communist barrier against the Marxist states Vietnam, Cambodia, China and the dominant influence of the Soviet Union in the region. Previously, there have

been other economic co-operation attempts namely ASA (1961), MAPHILINDO (1963) and ASPAC (1966) which all collapsed.

ASEAN is not an integrative group, given basic diversities of member states in economic, cultural and political systems. Nor is it some Asian version of the European Union. It is rather an inter-governmental facility of consultation and discussion, seeking to accommodate and harmonise individual policies on common issues. In 1992 it was decided to create a free-trade zone which has to come in full force in 2003. Meanwhile, members will reduce progressively their import taxes on each other's products to maximum 5%. Brunei joined ASEAN in 1984. It has been announced that Vietnam will adhere in July 1995.

Table 1: Geographical characteristics of the ASEAN countries (1993)

Country	Land area (000km ²)	Population (millions)
Indonesia	1919	191
Thailand	514	68
Malaysia	329	17
Philippines	300	56
Brunei	5.7	0.26
Singapore	0.6	2.7
	30068.3	334.96

The two smallest countries are also the wealthiest in ASEAN and in the Asian region. They have the highest per capital income after Japan. Brunei achieves US\$17.925 and Singapore US\$12.800 per annum (Modern Asia Research Centre, 1993). The ASEAN countries are among the fastest growing economies in the world, achieving annual growth rates of 6 to 8%.

The commercial flow between the European Union and South East Asia is more important than between the European Union and North America. Consequently, on the initiative of the prime Minister of Singapore, a meeting on the level of government leaders will take place early 1996 in Bangkok between the European Union and ASEAN. Japan, China and South Korea have been invited as well.¹

3. Location

Brunei is situated on the N.W. coast of the island of Borneo, 443 km north of the equator. In fact, it is a geographical peculiarity since its two wedges of territory are separated by Limbang in the Malaysian state of Sarawak. The western part consists of the Brunei/Muara, the Tutong and the Belait districts, which contain the oilfields and most of the population. The eastern part is the Temburong district, thinly populated and underdeveloped. Communication between the two parts is covered principally by water.

The capital, Bandar Seri Begawan (BSB) is the site of the country's international airport. The oil and gas fields are located near the towns of Seria and Kuala Belait.

¹ AP Reuter Singapore, May 4, 1995.

The Sultanate covers a land area of 5.769 km² and has a coastline of 160 km along the South China Sea. The country is mainly jungle with five types of tropical forests covering about 85% of the area. Wildlife includes bears, deers, monkeys and a variety of reptiles and birds. The coastal lowlands and river valleys are mainly sandy except for the stretch of rocky headlands between Muara and Pakang Tutong. There are hills in the Belait district as well, the highest reaching over 400m, and the hilly area of Temburong where several hills are over 600m. Most of Bruneians live in the alluvial coastal plain, cut by four main rivers flowing into the South China Sea: the Brunei, Belait, Tutong and Temburong rivers.

4. Brief historical background²

4.1 Before World War II

Brunei's early history is somewhat unclear, but there are indications that it had already contacts with the Asian continent in the sixth century. Modern Brunei is the rump of what was once a sprawling empire. Islam was adopted in the 14th century.

The country rose to prominence in the 15th and 16th centuries with sovereignty embracing the whole island of Borneo and even the Philippines. Manila had to pay tribute to the Sultan's court. The first half of the 16th century, under the fifth Sultan Bolkiah and the ninth Sultan Hasan, was Brunei's golden age. The latter's administrative system still forms the basis of the present government of Brunei.

The first Europeans to have visited Brunei, are the Portuguese. In 1521, Ferdinand Magellan was the first European who set foot on Brunei soil. In 1526 the first trading post was set up. The Portuguese were followed by the Spaniards. Spanish relations with the local population were not friendly however as they wanted the Sultan to pay tribute to the King of Spain and to allow Roman Catholic missionaries to proselytise. On the refusal of the Sultan, the Spaniards attacked near Muara and won the battle. In the following days a cholera epidemic forced them to withdraw. A year later they returned, but this time they were defeated.

In 1580 Portugal came under Spanish rule and Brunei lost a valuable European ally. The Sultanate was raided again by the Spaniards in 1588 and in 1645. At that time Brunei's golden age was already history. The country was besieged by wars, internal strife and insurrections. Pirates posed a constant threat to the Sultan and the European traders. In return for protection from these "terrorists", the Sultan offered the British East India Company a base on the island of Labuan, but the trading post failed.

By early 1800, Brunei's territory did not extend beyond the town boundaries and the population shrunk dramatically. The British influence became predominant and Brunei lost still more of its remaining territory to Sarawak which ruled by the "White Raja" and adventurer James Brooke. The island Labuan was ceded to the British Crown in 1846. A treaty of friendship and commerce was signed between Britain and Brunei a year later in which the Sultan agreed not to cede any more territory to any power, except with the consent of the British government.

² See: Shanghia Banking Corp. Ltd, (1990).

In 1888 North Borneo became a British protectorate and Brunei a British protected state which gave London full control of the Sultanate's external affairs. In 1899 oil exploration started in Brunei and the British interest in the Sultanate may not have been entirely unconnected since the discovery of oil....

In 1906 the first British Resident was appointed to the Sultan's court to advise on all aspects of government except traditional customs and religion. The Resident noted a total absence of effective political and financial control. The impoverished Sultan, Muhammed Jamabil Alam II, lived off the credit from Chinese marchants and even foreign countries. In spite of economic exploitation by many local chiefs, Brunei generated sufficient export capital to pay for its imports, which were of course minimal.

Brunei was to remain under the Residency agreement until 1959, when a written constitution was promulgated. The British Resident became then a High Commissioner.

In 1971 full internal sovereignty was resumed and on January 1, 1984 Brunei finally became a fully independent state after some 150 years of close involvement with Britain of which 96 years as a Protectorate.

The following key points need to be remembered about Brunei's history:

- Brunei was never a colony and never completely lost sovereignty
- during the whole period there was a continuity within the ruling family which is one of the world's oldest monarchies still in power
- the involvement with Britain saw close links develop between the two nations.

4.2 The post-war period³

BRUNEI DARASSALAM: Brunei, abode of peace... The only turmoil in the post-war period was an armed rebellion in December 1962 which was Communist inspired and organised from outside the country. In the first-ever general election earlier that year, Sheik Azahari's left wing "Brunei's People Party" (PRB) won the elections. The party's program proclaimed the end of Sultan Omar's autocratic rule, the formation of a democratic government and immediate full independence. The Sultan refused to let them form a government. By means of emergency rule Azahari was exiled and the PRB banned. The latter, backed by the communist North Kalimantan National Army, launched a revolt.

The disorganised rebellion was quickly suppressed with the help of the Gurkha infantry brigade and other British troops flown in from Singapore. The British protectorate ensured military protection towards inland as well as foreign opponents. Within four days the British troops had flushed the rebels out of the country.

The defeat of the rebels did not mean the end of the turmoil. Exiled PRB politicians were granted asylum in Malaysia and were even allowed to broadcast anti-Brunei propaganda. Libya's Colonel Gadaffi reportedly offered military training to PRB members. Thirteen years later, in 1975, Malaysia even sponsored the visit of a PRB delegation to the United Nations to propose a resolution calling on Brunei

³ See: Trade and Travel Publications Ltd (1992).

to hold elections, abolish restrictions on political parties and allow political exiles to return home. This resolution was adopted by the United Nations in November 1977 with 117 votes in favour, none against, and the United Kingdom abstaining.

As the Brunei's grew richer year after year, the likelihood of another revolt receded and the country has known internal peace.

4.3 Internal politics in the recent years

Brunei is a well-established Islamic monarchy, meaning that the supreme authority over the state is vested in the Sultan and that the principal organs of administration are under direct royal control. The Sultan is at the same time Head of State, Prime Minister and Minister of Defence, whereas two of his brothers are respectively Minister of Foreign Affairs and Minister of Finance. The Sultan is also head of the Islamic faith in Brunei with power on all Islamic matters.

In 1985, one year after independence, another tentative towards democracy was undertaken and the Brunei National Democratic Party (BNDP) was officially registered with the aim to instore a parliamentary democracy under the Sultan. The government announced however that government employees would not be allowed to join this party. Since half of the working force is employed by the government, this exclusively Malay party was entirely lamed. A year later, the Brunei United National Party, a multi-racial offshoot, of the BNDP, was formed and allowed by the Sultan. By the end of January 1988 both parties were proscribed however, and two of the BNDP leaders imprisoned without trial which was possible under the Internal Security Act introduced in 1982.

After spending up to 27 years in prison without charge or trial, five prisoners of conscience were released on January 6, 1990. All five have been detained soon after the abortive armed rebellion staged in December 1962 by the PRB. Four of them were arrested soon after the rebellion and kept in untried detention as a deterrent to other political activists. The fifth was released but rearrested in 1975, his brother being the president in-exile of the PRB.

The two BNDP leaders, President and Secretary-General, respectively are still in prison without trial. The Internal Security Enactment of 1982 permits the Minister of Home Affairs to authorise the indefinite detention without charge or trial of anyone "acting in a manner prejudicial to the security of the state".⁴

5. Population

The total estimated population of Brunei amounts to 267.800 according to latest available statistics (1992) and the repartition per district is as indicated in Table 2.

⁴ Amnesty International Report, January 22, 1990.

Table 2: Geographical characteristics of Brunei (1992) ⁵

Districts	Area (km ²)	Population	Main town
Brunei/Muara	570	175800	Bandar (capital)
Belait	2727	54300	Kuala Belait
Tutong	1166	29800	Pekan Tutong
Temburong	1306	7900	Pekan Bangar
	5769	267800	

The four districts are divided into 32 smaller administrative units called "mukims".

The population of Brunei consists of 67% Malays, 16% Chinese, 6% indigenous tribes (Ibans, Muruts, Kedayans, Dayaks and Dusuns) and 11% Europeans, Indians and other races. Among the Europeans living in Brunei, the Britons are predominant followed by the Dutch, which is due to the presence of the Anglo-Dutch oil company Shell. Immigrant workers in Brunei include Chinese, Malays from Malaysia and Singapore, Thais, Filipinos, Koreans, Indians, Pakistani, Sri-Lankans and Bangladeshi.

Life expectancy at birth is 72 years for men and 76.6 years for women. The annual population growth rate is 2.6%. The literacy rate is as high as 94% for male and 85% for female.

There are strict laws on citizenship. An applicant for Brunei citizenship must prove that he has been resident of Brunei for at least 25 of the previous 30 years, including continuous residency for the most recent three years, and has to pass a compulsory Malay language test.

Malay is the official language, but English is spoken almost everywhere. The most spoken Chinese dialect is Hokkien, followed by Mandarin, Hakka and Cantonese. Indigenous languages are used in the interior.

The majority of the population is Sunni Muslim. Islam is the official religion as stated in the 1959 Constitution. The Sultan is the head of the faith in the state. Religious education is compulsory for every Muslim child. It is the government's aspiration to make Islam a way of life for the people. The practise of other religions is to a certain extent freely allowed. Muslims not having the means to go to pilgrimage to Mecca, can get subsidised. There is a large population of Hajjis (people having made the pilgrimage to Mecca). Every year about 4,000 Bruneians go to Haj.

In 1991, the labour force amounted to 112,000 of which 107,000 were employed. The unemployment rate is about 4% and is rising yearly. Brunei's inhabitants enjoy one of the highest standards of living in Asia: US\$17,925/annum. Brunei has no personal income tax. Medical services and education are free. Pensions are non-contributory for government employees. Citizens and permanent residents working in the private sector did not have a pension. However, since January 1994 a Central Provident Fund has been set up and is now compulsory. At present the rates are: 5% for the employer and 5% for the employee.⁶

⁵ Department of Information, Prime Minister's Office, Brunei Darussalam.

⁶ A.A. Depickere, UBD, October 1994.

There are subsidies for lodging government and certain private sector employees. Housing is to be given by employers to expatriates. Citizens who, do not own land are able to purchase houses built by the government at low prices and soft loans are available for this purpose.

6. The Government

The state is ruled by H.M. Sultan Haji Hassanal Bolkiah, who is also Prime Minister and Minister of Defence. Supreme executive authority is conferred on the Sultan by the 1959 Constitution. Under the present political arrangements, the Sultan is assisted and advised by four constitutional councils:

- the Council of Ministers (the cabinet)
- the Privy Council
- the Council of Succession and
- the Religious Council

The fifth constitutional council, the elected legislative council, is suspended since the abortive rebellion of 1962. Since then, the Sultan has ruled by decree.

The Council of Ministers was formed after independence on January 1, 1984. At the end of 1986, the number of ministers was increased from seven to eleven and deputy ministerial posts were created in each ministry except for health, law and communications. The ministries are:

- Foreign Affairs
- Finance
- Home Affairs
- Education
- Law
- Industry and primary Resources
- Religious Affairs
- Development
- Culture, youth and sports
- Health
- Communications

As Prime Minister, the Sultan is concerned with the daily administration of the Government. In addition, he is responsible for the following departments:

- Royal Brunei Police (2300 men strong)
- Malay Custom: ceremonies, protocol, heraldry
- Public Service Commission: recruitment of public officers,
- Audit of state funds and activities,
- Councils of State
- Central governmental personnel agency
- Detention Centre: accommodating detainees, rehabilitation
- Anti-corruption Bureau: investigation of the conduct of civil servants
- Petroleum Unit: safeguard and development of oil and gas industry

- Broadcasting and Information: two radio and T.V. networks. (BRT)
- Narcotics Control Bureau

The seat of the government is located at the Royal Palace, called Istana Nural Iman, the Sultan's official residence.

The Sultan is also Minister of Defence. This implies that he is the supreme commander of the Royal Brunei Armed Forces. The Forces were first established in 1961 as the Brunei Malay Regiment. To commemorate its fifth anniversary, its name changed to the Royal Brunei Malay Regiment. In 1983, in the wake of Brunei's independence, the name Royal Brunei Malay Regiment was changed to Royal Brunei Armed Forces. In 1981 the Women's Company (strength 250) was formed of which Her Royal Highness Pengiran Mariam became Colonel Commandant (The Government of Brunei Darussalam, 1989).

For its small size, Brunei has one of the most modern and well-equipped armed forces in the region, with land, air and sea capability. Some 35% of government expenditure is allocated to the armed forces (Fernandes, 1993). The army is a brigade-strength force (4200), well equipped with sophisticated modern weaponry. It includes Scorpion tanks, Exocet rockets, Rapier ground to air missiles and helicopter gunships. The Air force ordered 16 fighter-trainers and the Navy has three corvettes and several coastal patrol boats. The military equipment package, worth US\$ 400 million, was purchased from Britain in 1988. (Trade and Travel Publications Ltd., 1993).

There are close military links with Britain which stations a battalion of Gurkhas in the country. Australia, Singapore and Malaysia have close military links as well. Members of the Gurkha Reserve Unit (2000), recruited from retired Gurkhas, guard palaces and government buildings.

In principle, Brunei is no longer under threat by its neighbours. Policies may change however and the Bruneians are remembering the fate of Koweit!

7. The Monarchy and Islam

The ruling monarchy is one of the oldest in the world. Historical records situate it back to the 14th century with Sultan Mohammad as the first ruler. The third Sultan Sharif Ali (ruling from 1425 to 1433) who was an Arab and said to be a descendant from the Prophet, consolidated the introduction of Islam in Brunei. From him are descended all subsequent Sultans (Nicholi, 1989). Ever since that period, the monarchy and Islam are closely linked. The Sultans became "Yang Di-Pertuan" which means "he who is made lord".

The 27 Sultans preceding the present Sultan's father ruled under very different circumstances such as the golden age in 16th century, as well as the declining influence and loss of considerable parts of the original empire during the 18th and the 19th centuries. The 28th Sultan, Omar Ali Saifuddin II, who ruled from 1950 to 1967, was the architect of modern Brunei, giving shape to a modern administration and the start of economic expansion. Contrary to the wish of the British government, he could maintain the freedom of his small state by refusing to adhere to the Malaysian Federation in 1963. Sultan Omar

abdicated voluntarily in 1967 in favour of his eldest 21 years old son, Hassanal Bolkiah. In 1971, a new treaty limited British responsibilities to external affairs. By the end of the decade, Britain imposed Brunei to become independent which took place on January 1, 1984.

The full title of the present Sultan is:

Paduka Seri Baginda Sultan and Yang Di-Pertuan, Sultan Hassanal Bolkiah Mu'izzaddin Waddaulah Ibni Al-Marhum Sultan Haji Omar Ali Saifuddien Sa'adul Khairi Vaddien

followed by his numerous decorations. Sultan Hassanal Bolkiah was born on the 15th July 1946. Before attending the Victoria Institution in Kuala Lumpur (Malaysia), he was privately educated. After a short stay at the Sultan Omar Ali Saifuddin College in Bandar Seri Begawan, he went to Great Britain to become a cadet at the Sandhurst Royal Military Academy. In 1965, at the age of 19, the Sultan married his cousin Pengiran Anak Saleha Ibni Al-Narhum, and they have two sons and five daughters. In 1981, the Sultan married also Pengiran Isteri Hajjah Mariam Binti Haji Abdul Aziz with whom he has one son and two daughters.

The Sultan is an accomplished sportsman playing polo, tennis, squash, badminton and golf. He is as well as fully qualified pilot and the owner of the biggest private fleet of planes and helicopters in the world.

"FORTUNE" mentions the Sultan as the richest man in the world since many consecutive years. His extreme wealth intrigues the international gossip press which is always looking for some sensational news. Many rumours circulate about his private life and possessions. His personal fortune is estimated at US\$ 37 billion and daily income of 9 million (Modern Asia Research Centre, 1993). In his country, however, he is respected and venerated as the supreme head of the Islam faith in Brunei. He is cheered because of the good living conditions he could bring to his subjects. In 1992, on the occasion of the 25th jubilee of his accession to the throne, festivities organised at that occasion proved his enormous popularity.

8. Economic development⁷

8.1 Until 1940

The periodical loss of territory during the 17th, 18th and 19th centuries left Brunei with few exploitable economic resources at the beginning of the 20th century. The economic interests of the country were at the mercy of merchants and tax farmers, mostly Chinese, registered as British subjects.

The most important product being exported was cutch, a kind of dye manufactured from the extract of mangrove bark and used for leather-tanning. Production was finally stopped in 1952 and transferred to New Guinea. The second most important export activity during the early years of the 20th century was coal mining. This operation ceased in 1924. At that moment coal exports represented 20% of the total exports value.

⁷ Depickere (1992).

The financial situation of the country was unhealthy and the economic future and viability of Brunei uncertain. The plantation economy developed in the 1920's and 1930's. Since several decades already some rubber was tapped in the jungle by Dayaks and exported through Chinese dealers. This rubber was of a quality (jelutong) used primarily to manufacture chewing gum. In 1906 the government approved latex rubber planting by Western entrepreneurs. The number of estates owned by Europeans never exceeded five however. Rubber cultivation attracted thousands of locals. During the "rubber boom" in the years 1926-1927, the cultivating area approached 4.000 acres.

From 1914 to 1932, when oil production began on a commercial scale, rubber was still the principal contributor to Brunei's export trade, rising from 25 to 70% in total export earnings. Another boom developed with the outbreak of the Korean war. Even in 1960, rubber remained the most important crop in Brunei: 2500 local owners occupied areas totalling 35.000 acres.

Meanwhile oildrilling, started as early as 1899, was finally successful in 1929 when the British Malayan Petroleum Company Ltd. discovered its first giant oil field in Seria. The Seria oilfield lies on a narrow anticline, a quarter of which is submerged by the sea. All the oil comes from a strip just 13km long and 2.5km wide. The oil is in fractured blocks of sandstone between 240m and 3,000m below the surface. Some of the oil under the sea is accessed by wells drilled from the shore which reach more than 1.5km out to the sea. The quality of the oil is good since it has a low sulphur content.

In 1932 oil production on a commercial scale started, followed a year later by natural gas. Petroleum and gas exports immediately created capital abundance which determined Brunei's economic growth during the next 50 years. The value of total exports increased several thousandfold and the trade balance turned into surplus after 1933. Moreover, royalties and tax payments gave an automatic boost in government revenue.

The Brunei oilfield fell to the Japanese on December 18, 1942. Allied bombing and Japanese sabotage, prior to the sultanate's liberation, caused considerable damage to oil and port installations and urban areas, necessitating a long period of reconstruction in the late 1940's and early 1950's. Australian forces landed at Muara Beach on July 10, 1945. A British administration ruled the country for a year before Sultan Sir Ahmad Tajuddin took over. Four years later he died and was succeeded by his brother Sultan Omar Ali Saifuddien III, the late father of the present Sultan.

8.2 The second half of the 20th century⁸

In the post-war period it became clear that financial abundance alone does not ensure economic development. A healthy economy is based on a sufficient and qualified workforce. So, people's health and educational levels needed improvement. Infrastructure needed to be developed.

The 28th Sultan, Omar Ali Saifuddien, merits being the initiator of prosperity and progress of the country. He installed District Councils, with advisory function on local matters and manned with representatives selected by the people of the area. At the same time he set aside a sum of US\$ 70 million

⁸ Depickere (1991).

from the surplus revenue to launch the first five year “National Development Plan” (1953-1958). The second NDP followed only in 1962, a year of political turmoil (see above). Both plans were broad statements of grand expenditure schemes in the field of economic diversification, development in the private sector, measures for high employment, reduction of economic inequality and price control, improvement of education and health care, infrastructure and public utilities.

The state of the economic information at that time was not taken fully into account however as there was a lack of adequate data and off-target population growth projections. The necessity was felt for a special task force to provide details of required economic data, to prepare sectoral plans and to monitor their performance. Therefore, the government established the Economic Planning Unit in 1973. After two years of preparation, NDP 3 was launched in 1975, followed automatically by NDP 4. Both plans shared the same objectives as these enunciated in NDP 2.

NDP 4 (1980-1984) targeted the annual growth rate of the gross domestic product (GDP) at 6%. The decline of the hydrocarbon sector however resulted in negative growth for the period. NDP 5 (1986-1990) that followed a slump in world oil prices in the mid 1980's, recognised the urgent need for diversification. It was the most ambitious and the most costly of all plans. It included the development of new export-oriented and import-substitution industries, accelerated human resource development, full employment, increasing productivity, mastering inflation, increased food sufficiency, the encouragement of the “bruneianization” of the economy and the establishment of financial institutions to develop Brunei into a financial centre.

Due to the falling oil prices on the international markets, government expenditure was cut down. In 1984 the Ministry of Industry and Primary Resources was created to encourage the establishment of industries in the private sector and to help small businesses by providing soft loans. The goals were to establish 2,000 industries creating 40,000 jobs within a period of five years after the end of NDP 5.

NDP6 (1991 to 1995) is a continuation of the preceding one and aims at meeting the country's needs up to the year 2005, especially in improving the standard of living and quality of life of its people.

The following objectives are strongly emphasised:

- acceleration of human resources development;
- widening of the economic base to create a favourable climate for industries;
- optimising government expenditure;
- sustaining the further development of the oil and gas industry;
- encouragement of a strong private sector;
- maintaining a clean and healthy environment.

To finance the approved projects, a total of US\$ 7,657 million has been allocated. The oil and gas industry continues to play a dominant role in the economy. The prospects for growth during this plan depend heavily on the prices of oil, the production level and the effective transfer of the oil revenue into productive domestic activities. Nothing is more uncertain than the oil price on the international markets. So, the conservation policy will continue with flexibility. The management of oil resources

emphasises on the greatest return. Meanwhile, the search for new reserves as well as alternative sources of energy is intensified (Brunei Ministry of Development, 1991).

9. The oil and gas industry

Brunei is the third largest oil producer in S.E. Asia after Indonesia and Malaysia. As liquefied natural gas producer, it ranks second in the world.

The first on-shore discoveries were followed by six off-shore fields. From these fields the oil is piped to Seria's terminal through 84 km long underwater pipelines. Reserves, which are estimated at 1.4 billion barrels, are sufficient for a further quarter of a century.

Oil production was as high as 261,000 barrels/day (b/d) in 1979 when conservation measures were taken to ensure that the production rate did not exceed economic needs. Consequently, average production was reduced to 175,000 b/d in 1987-1983 down to 170,000 b/d in the 1984-1985 period and finally stabilised at 150,000 b/d in 1989. From 1990 on, it went up again from 152,000 b/d to 162,000 b/d and 182,000 b/d in 1991 and 1992 respectively.

Brunei is not a member of OPEC, but follows OPEC's pricing policy closely. OPEC's price target of 21US\$ / barrel fixed at the beginning of the 1980's, was never reached and prices fluctuated between 13 and 17 US\$ / barrel.

Oil operations in Brunei are, for the time being, exclusively taken care of by Brunei Shell Petroleum (BSP) which is a 50/50 joint venture between the Royal Dutch Shell Group and the Brunei government. It includes refining and marketing. The refining capacity amounts to 10,000 b/d and is operated in Seria. Brunei is self-sufficient in major oil products (The Hongkong and Shanghai Banking Corporation Ltd., 1990).

The present petroleum-mining laws are giving the government the right to take up a 50% stake in any discovery by foreign companies. While pursuing its policy of conserving existing reserves, in an endeavour to find new fields, the Brunei government has encouraged other oil companies (Woods Petroleum, Sunray and Jasra-Elf) to drill exploration wells (The Government of Brunei darussalam, 1989). About 30% of Brunei's oil production is exported to Japan, 25% to South Korea, 22% to Thailand and 7% to Singapore.

In natural gas production, there is an equal partnership between Brunei LNG, Brunei Coldgas and Brunei Shell Tankers companies. Natural gas is produced by BSP on off-shore platforms and piped to the liquefaction plant at Lumut, completed in 1973. This plant also includes gas turbine generators which supply electricity to the country, while meeting all BSP's power needs. One of the partners in the Lumut plant is the Mitsubishi Corporation.

Brunei LNG liquefies natural gas which it buys from BSP. The LNG is then sold to Brunei Coldgas which arranges transportation and the sale to Japanese customers. Transportation is taken care of by Brunei Shell Tankers which operates seven 75,000 cubic metre LNG tankers, chartered to Brunei

Coldgas. The liquefied natural gas is sold to the Tokyo Power Company, the Tokyo Gas Company and the Osaka Gas Company. Sales amount to 5 million tons a year on a 20 year's contract which has been renewed for another 20 years in 1993.

Oil and gas have brought all the wealth to Brunei. It was not until 1970 that petroleum prices started to rise however, coinciding with a series of new finds. By 1980, Brunei's oil and gas revenues were thirty-five times higher than in 1970, also thanks to the start-up of the gas liquefaction plant in 1973. There is no diversification into petro-chemicals as yet.

10. Other resources⁹

10.1 Industry

The manufacturing sector in Brunei is small. There are some sawmills, brick and tile factories producing for the construction sector. This sector which employs 13,000 mostly imported workers, is the second largest sector of the economy. As there is not much private initiative, this sector is largely dependent on government spending.

Almost everything, except oil and gas, has to be imported. So, plans for industrial growth and diversification are aimed at import substitution and at the same time at employment creation. Small scale projects include ceramics, beverages and food processing, furniture and textiles. The government's efforts to increase ethnic Malay (so-called "bumiputra") participation in the private sector, include favouring local suppliers and soft loans.

10.2 Agriculture

Brunei has to import 80% of its food requirements. The largest agricultural investment overseas consists of a government-owned cattle station in Australia's Northern Territory which area is larger than Brunei itself (5.793 sq. km)! In Brunei, considerable investment has been made in new agricultural infrastructure, introducing new techniques and mechanisation of production. Fruit and vegetable growing has increased to respectively 30 and 80% of self-sufficiency.

10.3 Fisheries

Fish is an important component of the Bruneian's menu. The Brunei fishing fleet caught 1,231 tons of marine fish in 1992. Prawns and shrimp farms have been developed in the Muara and Serasa areas.

10.4 Trade

Oil and gas accounts for about 95% of Brunei's export earnings. As the small domestic market has a limited demand for imports, a large structural trade surplus resulted. The latest available statistics

reveal for 1992 a positive balance of 1,400 million US\$ (Ministry of Finance (1992)). Japan is Brunei's main export market. The ASEAN markets are second with Thailand as most important buyer. Imports are mainly coming from Singapore, Japan and the USA..

10.5 Banking¹⁰

Brunei has no central bank. The Treasury, the Currency Board and the Brunei Investment Agency exercise most of the central bank functions.

The Currency Board is responsible for issuing currency notes and the exchange rate management. The Brunei and Singapore dollar are at par and both are accepted in the respective countries.

The Brunei Investment Agency, which was established in view of Brunei's independence on January 1, 1984, took over the management of the portfolio investments previously managed by the UK Crown Agents on behalf of the Brunei government. The Agency controls a substantial portfolio of bonds, equities, currencies, gold and real estate all over the world. The amount of capital exported by Brunei has surpasses the annual dollar value of exports of oil and gas. The dependency of the state on hydrocarbon resources has considerably diminished. Hence, Brunei faces the more challenging task of financial management.

10.6 Tourism

Tourism is a generator of foreign reserves and at the same time a creator of employment for semi-skilled and unskilled workers. Moreover, it generates activity in laundries, repairshops, touringbus companies, etc...

Up to now, Brunei has no tourist industry worthy the name. It is more geared to cater for business visitors than for tourists, except for short tours organised with departure Singapore. The Islamic codes of conduct are rigorously adhered to and hence, there is no room for tourist entertainment that can be enjoyed in other S.E. Asian counties such as the Philippines, Thailand or Indonesia.

11. Education¹¹

Education is universal but not compulsory. It has the following aims:

- to foster a national identity which will form a foundation for the growth of obedience to Allah and his Prophet, loyalty to the Monarch and love towards the Brunei State; and to build both efficiency and flexibility in the education,
- to give to all children in Brunei Darussallam an opportunity to play a useful role in national development, so as to fulfil all the needs of the country through the involvement of the people themselves,

⁹ The Hongkong and Shanghai Banking Corp. Ltd. (1990).

¹⁰ The Hongkong and Shanghai Banking Corp. Ltd. (1990).

- to inculcate Islamic values in each individual so that all will obey, show forth and hold high to teachings of Islam,
- to uphold and implement a system of education in which the Malay language, will continue to play an important role as the National Language, while at the same time recognising the international value of the English language,
- to cultivate in each individual the values and cultural norms of Brunei society, centred of the principle on a Malay Islamic Monarchy.

Children's school career in the public schools starts at the age of five. Children first stay at the pre-school level for one year before proceeding to the first year of the primary school. The primary school consists of six years. At the end of their primary education, the children sit for a public examination before proceeding to the secondary level. The secondary education takes seven years; three in lower secondary, two or three in upper secondary and another two years in pre-university level. In the primary and secondary public schools education is free of charge.

In the private schools children can enter pre-school at the age of four. The duration of each education level is the same as in the public education system. All children sit the same public examinations.

Secondary school leavers not entering university, can attend technical and vocational colleges which respond to the demand of both the public and private sector in Brunei (Depickere, 1991b).

The University of Brunei Darussalam became fully operational in October 1985 and has four faculties (Depickere, 1991c):

- Arts and Social Sciences
- Education
- Management and Administrative Studies
- Science

With the help of several overseas universities the first degree programmes and courses were divided. Formal academic links were established with the Universities of Cardiff and Leeds. Both of these helped in the development of the English-medium courses. For Malay-medium courses, assistance was provided by University Sains Malaysia and University Kebangsaan Malaysia. Academic staff were recruited in the United Kingdom, Malaysia and Singapore. The first temporary campus of the University of Brunei Darussalam was located at 4 km from the centre of the capital. Its transfer to an entirely new campus in Kampong Tungku Gadong was scheduled for early 1995.

The bi-lingualism has been introduced in all schools, as a means of ensuring the sovereignty of the Malay language, while at the same time recognising the importance of the English language. The recognition of the importance of the English language is based on its role as the vehicle language in most international institutions. Subjects which are heavily dependent on the English language are taught in English while others, which are not, are taught in Malay. Anyhow, the study of the Malay language is compulsory for all students, ensuring the continued use and growth of this language.

¹¹ Brunei Ministry of Education (1992).

The introduction of the Malay Islamic Monarchy concept in the school curriculum is intended to orientate education towards the development of a pool of manpower, skilled in many fields as well as aiming at ensuring a Bruneian identity, peace and security, and communal well-being in Brunei-Darussalam (Brunei Ministry of Education, 1992). The aims are:

- to inculcate in the children a mental outlook and attitude of life and such positive qualities of character as will enable the realisation of a society which is consistent with traditional Brunei virtues, such as strong religious faith, loyalty to the Monarch and a desire for balanced progress and development.
- to transmit teachings which are consistent with national aspirations whereby the nation is seen as a Malay Islamic monarchy in which responsibilities are to be shouldered by all people at all levels of society, without regard to descent, beliefs, religious faith or traditional customs.

Managers in Brunei feeling the necessity to upgrade their knowledge, may enroll at the ASEAN-EU Management Centre, located next to the campus of the University of Brunei Darussalam. The Centre brings together managers from different cultures to work on live ASEAN-EU issues by using projects as learning vehicle. It arranges workshops, seminars and conferences. The objectives of the centre are:

- to create an ASEAN centre of excellence for Human Resource Development.
- to enhance management efficiency and effectiveness in the private and public sectors of ASEAN countries and to help develop the capacities of management training throughout the region,
- to facilitate the development and evolution of new ideas, concepts, strategies and policies relevant to ASEAN's long-term needs,
- to develop public administration and business management skills existing within institutions and corporations in ASEAN and the EU,
- to strengthen the co-operation links between ASEAN and the EU, through the instruments of management, and to establish links with other areas covered by ASEAN-EU co-operation such as industry, trade, tourism and science and technology with a view to enhancing such co-operation.

The Centre has a close co-operation with the Kemuda Resource Agency, a private service organisation engaged in providing training and upgrading the skills of the Brunei workforce for the public and private sectors. Kemuda is also in consulting on different management areas such as e.g. human resource development.

12. Business and Industrial Developments

Oil production is not a labour-intensive activity and it depends heavily upon specialist technical skills and know-how. There is a need for diversified industrialisation. However, the small size of the domestic market stands in the way of industrial development. Industrial plants working for the local market alone would be operating below minimum economic plant size.

Although the purchasing power of the Bruneians is rather high, compared to other Asian markets, the consumption is not important enough, since the upper income consumers satisfy most of their needs

through imported goods and services. Strategies relying on high tariffs and import substitution measures would rather reduce the purchasing power of the average consumer.

Therefore, the solution is the creation of high technology industries which can produce goods with a high value added and a low labour input content. Modern advanced technology is within the purchasing power of Brunei. Such a strategy, however, is not in favour of meeting the objective of employment creation. Even Brunei has a problem of increasing unemployment among the youngsters.

In the private sector a majority of the workers are foreigners. This has incited the government to develop a policy of "Bruneianization", even in jobs where no special skills are required. Unfortunately, Bruneians do not seem to be attracted to the unskilled or semi-skilled employment opportunities (Depickere, 1991a).

The conditions for a good business environment are present in Brunei. English has been officially adopted as second language and, as we have seen before, the country has also developed a strong educational base with a university and technical colleges. Brunei offers a variety of facilities throughout the four districts of the country. There are 23 sites for industrial activities (heavy and light industry) and 33 sites for agroforestry available. The sites offer a range of facilities, infrastructure and resources.

Brunei welcomes foreign investment in most sectors of the economy. The governmental focal point for industrial development is the Ministry of Industry and Primary Resources (Ministry of Industry and Primary Resources, 1993).

Industries listed below are considered as pioneer industries and offered tax exemption incentives in order to attract investments. These sectors are:

- aircraft catering services
- cement mills
- pharmaceuticals
- aluminium wall tiles
- rolling mills
- industrial chemicals
- shipbuilding
- tissues
- textiles
- canning, bottling and packaging

The tax exemption incentives relate to:

- corporate income tax
- taxes on imported capital goods
- taxes on imported raw materials
- no levy on exports
- no personal income tax

- no tax on salaries, royalties, loans and interests

Depending on the amount of the capital invested, the duration of the tax holiday is between 2 and 5 years, and can be extended for an additional 5 years.

Brunei has five types of company-ownership structure:

- sole proprietorship
- partnership
- private company
- public company
- branch of a foreign company

Sole proprietorship and partnerships are not subject to taxes. Branches of foreign companies and foreign individuals may form or join partnerships on the condition that at least one partner is a Brunei citizen or permanent resident.

Both public and private companies must have a minimum of two directors and at least half of them must be Brunei nationals or residents. The private company must have between 2 and 50 shareholders, whereas a public company is required to have at least 7 shareholders. The government encourages local participation in share capital as well as management.

13. Conclusions

The western hemisphere is entangled in a continued economic crisis, whereas East and South-East Asia is showing dynamism. Asian capitalism is challenging the existing world order, contributing to a new world order. Analysts are predicting that around the turn of the millennium the importance of East and South-East Asia will equal that of the European Union.

Important inequalities within the Asian region exist however. The Philippines, certain regions of Indonesia and Thailand, not to mention large parts of mainland China, are economically far behind. These inequalities may well threaten the stability in the region. Even within ASEAN, there are some frictions such as e.g. the possession of the oil rich Spratley Islands, which are claimed by the Philippines, Malaysia and Brunei as well as by China, Taiwan and Vietnam.

Development in Asia should be watched carefully by the Europeans. Europe is an importer of products made in Hong-Kong, Taiwan, Japan, Korea and China. On the other hand, it is vital for Europe to look at its export possibilities in these markets. It is therefore of utmost importance that this region remains quiet and politically stable.

Brunei Darussalam is obviously quiet and stable since more than 30 years. Some critics from the West, however, argue that it is a boring, hypocrit, intolerant and corrupt dictatorship. It should be borne in mind however that in Brunei the majority of the population enjoys an easy, and to Asian standards, a wealthy life - in any case the wealthiest in the Asia Pacific region after Japan. Living condi-

tions in Brunei may be boring indeed, according to western standards and expectations of total freedom and permissibility. On the other hand the results of the Bruneian experience are visible and they seem to be satisfactory in the sense that development relying on the exploitation of its oil reserves has been beneficial to all Bruneians, not only to the ruling class.

Brunei is still too much dependant on its natural resources, oil and gas. The picture is changing slowly but steadily. Brunei has not to worry anymore about its future. The money set aside, if properly managed, would even allow the country to live without permanent oil-income. Hence, there is room for further improvement of the quality of life without having to fear budget constraints.

As to foreign investors, for those being endowed with good entrepreneurial qualifications, Brunei offers a nice opportunity to make profitable business.

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