

## Negara Brunei Darussalam in 2018

*Some Good News at Last*

### ABSTRACT

After four years of economic gloom, the Bruneian economy began showing signs of recovery, mainly thanks to improved global oil prices and the fruits of government policies introduced three years ago. In the meantime, the sultan's seriousness in combating corruption has taken center stage, with young new faces introduced in the recent cabinet reshuffle. Implementation of *sharia* law remains slow. On the international front, Brunei appears to be moving closer to China, which is emerging as the country's largest foreign investor.

**KEYWORDS:** Brunei, cabinet reshuffle, economy, diversification, sharia law, foreign relations

NEGARA BRUNEI DARUSSALAM IS RUN by a monarchy which dates back to 1363, making it Southeast Asia's oldest surviving monarchy. It was a British protectorate from 1888 onward and gained independence in 1984. Since 1984, no elections have been held, and the present sultan, Hassanal Bolkiah, rules as an absolute monarch, wielding overarching executive and legislative powers over a population of 421,300 (as of 2017). It is often said that "the sultan is the state and the state is the sultan."<sup>1</sup>

The year 2018 started with the sultan announcing a major cabinet reshuffle, which was not due until 2020, as the earlier cabinet was appointed in 2015 for a five-year term. Six senior ministers and nine deputy ministers were

---

JÖRN DOSCH is Professor and Chair of International Politics and Development Cooperation in the Department of Political and Administrative Sciences, University of Rostock, Germany. JATSWAN S. SIDHU is Associate Professor in the Department of International and Strategic Studies, and Deputy Executive Director (Academic) at the Asia-Europe Institute, University of Malaya, Kuala Lumpur, Malaysia. Emails: <joern.dosch@uni-rostock.de>, <jatswanh@um.edu.my>

---

1. Jatswan S. Sidhu, *Historical Dictionary of Brunei Darussalam*, 3rd ed. (Lanham: Rowman & Littlefield, 2017): 1.

replaced by new and young faces. A few long-serving ministers exiting were Lim Jock Seng, second minister of foreign affairs and trade; Yasmin Umar, minister for energy and industry; and Suyoi Osman, minister for education. Two women deputy ministers were appointed, one in the Education Ministry and another in the prime minister's office (PMO). The latter, Elinda C. A. Mohammad, concurrently serves as director of the Anti-Corruption Bureau at the PMO; she was appointed to this post earlier, in November 2017.

The sultan retained the key portfolios of prime minister, defense minister, finance minister, and minister of foreign affairs. His son, Crown Prince Al-Muhtadee Billah, retained the portfolio of senior minister in the PMO, while a long-time confidante of the sultan, Isa Ibrahim, was appointed special adviser to the sultan and minister of the PMO.<sup>2</sup> All these changes came after the sudden dismissal of the country's health minister, Dr. Zulkarnain Hanafi, in December 2017. Addressing the nation, the sultan reiterated that the reshuffle was aimed at injecting new blood into the lineup of top officials and ensuring greater progress toward national development, especially the Brunei Vision 2035 (*Wawasan Brunei 2035*). The sultan made clear he was serious in addressing corruption, which had taken center stage since 2015, mainly due to the country's falling three places in Transparency International's global ranking, from 38 in 2013 to 41 in 2016.<sup>3</sup> In 2017, its ranking improved to 32.

## THE ECONOMY AND DIVERSIFICATION

Since 1929, when oil was discovered there, Brunei has been dependent on oil and natural gas; proceeds derived from the sector contribute almost two-thirds of national revenues. However, due to declining global oil prices since 2013, Brunei's GDP has fallen from a record high of US\$ 19 billion in 2012; by 2016 it was at US\$ 11.4 billion. Nevertheless, due to some improvement in global oil prices and an increase in local oil production, Brunei's GDP posted 1.3% growth in 2017, to US\$ 12.1 billion.<sup>4</sup>

2. Azlan Othman, "Sultan Reshuffles Cabinet," *Borneo Bulletin*, January 31, 2018. See also "Brunei Ruler Replaces Top Ministers in Surprise Cabinet Reshuffle," Reuters, January 30, 2018.

3. Oliver Ward, "The Underlying Reason behind Brunei's Cabinet Reshuffle," *ASEAN Today*, February 20, 2018, <<https://www.aseantoday.com/2018/02/the-underlying-reason-behind-bruneis-cabinet-reshuffle/>>, accessed October 24, 2018.

4. Aaron Wong, "Brunei Records 2.5% Growth in Q1 2018," *Biz Brunei*, July 31, 2018, <<https://www.bizbrunei.com/2018/07/brunei-records-2-5-percent-gdp-growth-in-q1-2018/>>, accessed October 25, 2018.

In 2015, in view of the economic gloom, the sultanate initiated a reform strategy aimed at long-term financial sustainability, intergenerational equity, and economic diversification. In 2016, the Financial Sector Blueprint, 2016–2025, was launched to shape the country’s future financial landscape. Targeted at spurring growth in financial services and enabling Brunei to emerge as one of Asia’s most competitive and innovative countries, the five main thrusts of this blueprint are monetary and financial stability, competitive and innovative financial institutions, robust and modern infrastructure, enhanced international integration, and human capital development.<sup>5</sup>

In March 2018 and in line with its policy of prudent spending, the government announced its 2018/19 budget of BND 5.3 billion (US\$ 3.8 billion), the same total as in 2017/18, mainly due to a recurring budget deficit of BND 1.54 billion (US\$ 1.1 billion) in 2017. While there was a significant reduction of BND 2.6 billion (US\$ 1.9 billion, 40%) in the deficit compared to 2016, the government decided to maintain a low margin of spending. The new budget’s five major thrusts are prudent spending, employment opportunities and capacity-building, enhancing productivity through innovation, ease of doing business, and preserving public welfare. BND 173 million (US\$ 127 million) was allocated for employment and capacity-building, while innovation and productivity received BND 130 million (US\$ 96 million) and the preservation of public welfare, BND 129 million (US\$ 95 million).

Some good news finally arrived in April 2018, when the Asian Development Bank forecasted that the Bruneian economy would grow by 2% in 2018.<sup>6</sup> In October, this was confirmed by the International Monetary Fund, which announced that Brunei’s economy had started rebounding and was projected to grow at 2.3% in 2018, although it remained vulnerable to global oil and gas shocks. The IMF commended the government’s prudent policies and efforts at diversification and noted that the improvement was also partly steered by growth in Brunei’s non-oil-and-gas sector.<sup>7</sup>

5. “Brunei Darussalam: Financial Sector Blueprint (2016–2025),” Bandar Seri Begawan: Monetary Authority of Brunei Darussalam, 2016; “Brunei Darussalam: Financial Sector Blueprint, Harnessing our Economic Potential, 2016–2025 (Prospectus),” Bandar Seri Begawan: Monetary Authority of Brunei Darussalam, 2016.

6. Azlan Othman, “Brunei Economy Poised for Giant Leap Next Year,” *Borneo Bulletin*, May 18, 2018.

7. Azlan Othman, “Brunei’s Growth Momentum to Strengthen over Medium Term: IMF,” *Borneo Bulletin*, October 16, 2018.

## SHARIA LAW

On the introduction and implementation of *sharia* law, the sultanate has been pursuing the matter since 2013, when the Syariah [Sharia] Penal Code Order was promulgated, with implementation to be undertaken in three phases. The first phase was implemented on May 1, 2014, with the second phase to begin 12 months after the first, and the third phase 24 months after the second. However, implementation of the second and third phases had been rather slow, with the matter frequently raised by the sultan. In March 2018, the Syariah Courts Criminal Procedure Code Order of 2018, was approved by the sultan and finally gazetted. However, no exact mention was made of when it would be fully implemented, with the Minister of Religious Affairs merely stating that it would be done at “the right administrative time.”<sup>8</sup>

## FOREIGN RELATIONS

As a small state with its own vulnerabilities, Brunei continues to maintain friendly ties with countries around the world. The sultan places great importance on its relations with ASEAN and its member states. When a new government assumed power in Malaysia after the May 2018 elections, the sultan set aside protocol to become the first Southeast Asian head of government to pay a courtesy call on the new prime minister, Mahathir Mohamad. Mahathir reciprocated by visiting Brunei in September. Other international visitors to Brunei in 2018 included Japanese Vice Defense Minister Ro Manabe and Foreign Minister Taro Kono, both in February, and Singapore’s President Halimah Yacob in May. In October, the sultan made a state visit to Jordan, where a number of agreements on defense, tourism, and infrastructure were signed.

Relations with the United States have been of paramount importance to Brunei since 1984, as the sultanate sees the US as an implicit security guarantor against external aggression. In August, the two countries conducted their first army-to-army exercise, the Pahlawan Warrior Exercise, in Brunei.

Over the last few years, China has been cozying up Brunei and has emerged as its largest foreign investor, with some US\$ 4 billion invested thus

8. Quoted in Rokiah Mahmud, “Next Phase of Syariah Penal Code Underway,” *Borneo Bulletin*, March 11, 2018.

far, including by China Telecom Global, Hiseaton Foods Company, Bank of China, and Beibu Gulf Port Group. China has committed to investing another US\$ 12 billion in the next few years. In view of its shrinking oil and gas resources, the sultanate sees Beijing's "checkbook diplomacy" as vital to its efforts at economic diversification.<sup>9</sup>

9. Nile Bowie, "China Throws Sinking Brunei a Lifeline," *Asia Times*, March 18, 2018, <<http://www.atimes.com/article/china-throws-sinking-brunei-lifeline/>>, accessed October 23, 2018.