



BRUNEI DARUSSALAM

The Country, The Sultan, The People

By Michael Cable and Rodney Tyler

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By Michael Cable and Rodney Tyler

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ONE	BRUNEI DARUSSALAM – AS A PROSPEROUS NATION	7
TWO	BRUNEI DARUSSALAM – AS A SPIRITUAL NATION	23
THREE	BRUNEI DARUSSALAM – AS A DEMOCRATIC NATION	41
FOUR	BRUNEI DARUSSALAM – AS A MODERN NATION	57
FIVE	BRUNEI DARUSSALAM – ON A WORLD STAGE	73
SIX	BRUNEI DARUSSALAM – OF THE FUTURE	85

ONE BRUNEI DARUSSALAM – AS A PROSPEROUS NATION

“The substantial wealth accumulated from oil exports over the years has transformed our economic life dramatically so that the people of Brunei enjoy a high standard of living, an excellent physical infrastructure and first class education and medical facilities. At the same time, this wealth has provided the funds for the Government to initiate its economic diversification projects away from reliance on oil and gas.”

His Majesty Sultan Haji Hassanah Bolkiah



The incoming flight banks steeply before beginning its final approach to the International Airport at Bandar Seri Begawan, giving newcomers to Brunei Darussalam their first glimpse of one of the world's most fascinating but least-known countries.

After taking in the broad sweep of the Brunei River and the expanse of tropical rainforest that seems to encroach into the suburbs of the city itself, the eyes are drawn to the two magnificent Royal mosques that dominate the capital, their domes of burnished 24-carat gold shimmering in the sunlight. Just beyond are the spectacular vaulting roofs of the Istana Nurul Iman, the great palace that serves as the Sultan's official residence and the seat of government.

Seen from the air, these glittering landmarks stand out as symbols of the spiritual and material wealth of this tiny but increasingly ambitious nation.

Once on the ground, however, the visitor is struck immediately by the equally impressive signs of a rather more down-to-earth and business-like affluence. Busy dual carriageways carry rush-hour traffic from the smart new executive-style residential estates of growing suburbs such as Gadong to the city's commercial centres and industrial estates. Or to the crowded car parks of government

ministries housed in stylish, ultra-modern buildings of glass, steel and marble. Mothers in four-wheel-drive vehicles drop their children off at school on their way to work or to the shopping malls while visiting businessmen and conference delegates gather in air-conditioned hotel foyers along with parties of tourists preparing to go out in water taxis to explore the colourful mysteries of the Kampong Ayer.

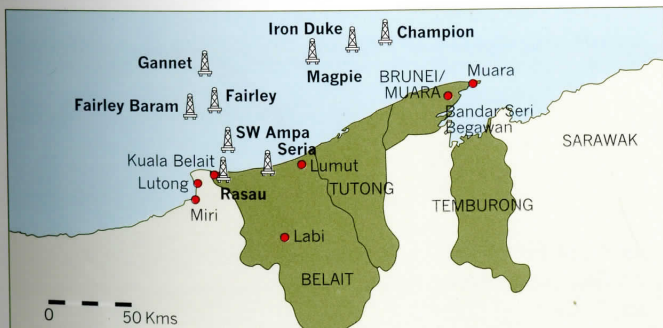
The water village, with its picturesque labyrinth of deceptively ramshackle-looking wooden houses built out into the river on stilts, still provides one of Brunei's most enduring images. Nowadays, however, it is over-shadowed by a backdrop of towering glass-fronted office blocks in the city's bustling commercial centre.

Here, in more than ten different banks and financial institutions, a new generation of university and business school-educated Bruneians can be found hard at work in front of their computer screens, laying the groundwork for the day when Brunei might possibly rival Singapore and Hong Kong as a financial and trade centre.

That day may still be some way off, but these are the sort of economic role models that Brunei has very much in mind as it determines to diversify and develop an economy less dependent on the bonanza provided by gas and oil.

Nation's wealth fully shared by people

The riches that flow from its offshore wells, currently pumping out 215,000 barrels of oil a day and 6.5 million tonnes of gas annually, have been wisely and responsibly invested over the years. With no national debt, a per capita GDP of US\$ 14,800 and reserves estimated at anywhere between US\$ 25 billion and US\$ 50 billion, Brunei is one of the wealthiest countries in the world. And that wealth has been fully shared by the people, the tiny indigenous population of less than 300,000 enjoying a cradle-to-grave welfare system. Bruneians pay no income tax and benefit from generously subsidised housing and interest-free government loans. They are also provided with a free education system up to university level, helped by scholarships to the world's top academic institutions, and a health service that spends B\$ 600-a-head annually.



The first oil field was discovered near Seria in 1929 but oil was not exported in commercial quantities until 1932. Seria remained the only field until the 1960s when technological advances made offshore exploration feasible and the South West Ampa field was discovered 13km off Kuala Belait. Fairley followed in 1969, Champion in 1970 and others in the seventies and eighties. There are now seven offshore fields and the billionth barrel from the Seria field was produced in 1991. The total production from all the fields* has now passed the billion barrel mark.

At the same time, a series of four and five-year National Development Plans, spread over the last 47 years, have concentrated on building up a national infrastructure of road, sea, air and telecommunications facilities that have established Brunei as a natural hub for trade and tourism in the region while also providing a solid foundation for future expansion.

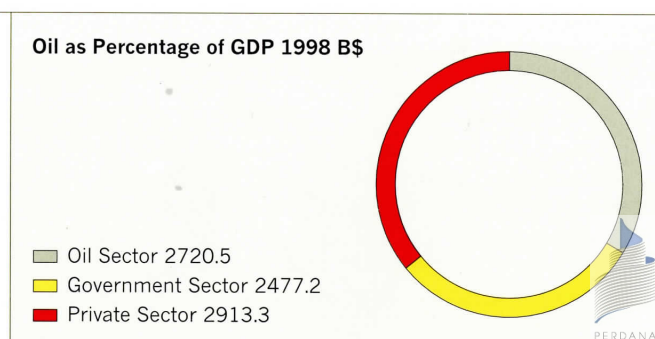
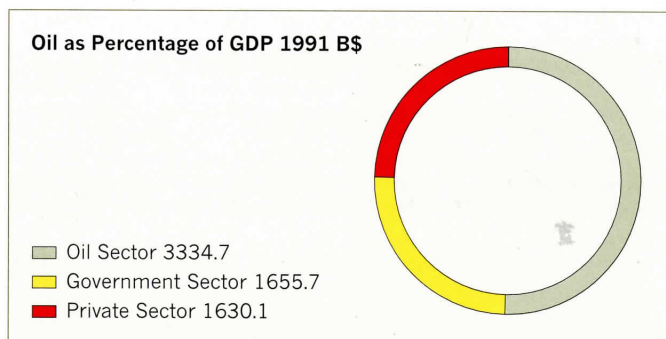
Behind this impressive development lies the sensible long-term determination to wean Brunei away from economic reliance on its oil revenues. As His Majesty Sultan Haji Hassanal Bolkhiah explains: “The country has been predominantly dependent on oil exports since the commodity was first commercially exploited in the early 1930s”.

“Fortunately for us, the steep rise in oil prices between 1973 and 1980 allowed the country to accumulate substantial wealth, which is invested mainly overseas. And over the years, that wealth has transformed our economic life dramatically. The people in Brunei enjoy a high standard of living, an excellent physical infrastructure and first class educational and medical facilities. In some ways, perhaps, this has allowed a certain complacency to creep in but the Government was not totally unprepared for this. The country has sought to insure against fluctuations in world oil prices and the eventual depletion of its oil reserves in the future by considering various options for utilising the accumulated oil export reserves”.

“In particular, the Government has put strong emphasis on economic diversification in its National Development Plans, with the result that the services sector has increased its contribution to the country’s GDP, signalling a corresponding reduction in the contribution made by oil and gas.”

The economic downturn in South East Asia over the last two years, combined with the falling price of oil in the latter half of the decade and internal repercussions stemming from the failure of the country’s largest private corporation has inevitably produced a considerable slow-down effect on recent development progress. Government reaction to these unexpected setbacks has, however, been both swift and effective, with a senior minister appointed to oversee the implementation of recovery measures outlined in a hard-hitting report by the Economic Council.

These included the immediate allocation of a special B\$ 200 million fund to help achieve a quick turnaround, primarily through stimulation of the private



sector, the growth of which is widely regarded as the key to the country's economic development.

As well as a number of other short-term measures, the Economic Council also recommended the formation of a number of think-tanks and advisory panels, covering key areas of the country's economic life, as part of a broader long-term economic strategy aimed at raising productivity, attracting major outside investors and encouraging local entrepreneurs to develop new businesses.

The streamlining of bureaucracy, the fast-tracking' of credit arrangements and government funding, plus further tax incentives and the reform of business law to provide extra security have been identified as major priorities. There will also be greater support for the small and medium-sized enterprises that make up 90% of the existing private sector, and a review of the education system to maximise human resource development by making sure that schools, technical colleges and the university produce skilled manpower with the required qualifications.

These and other moves reflect the urgency with which an increasingly realistic and forward-looking government is prepared to tackle its remaining economic problems head-on. Clearly, there is concern about the need to achieve sustainable growth, but underlying this is a vibrant mood of confidence about the long-term prospects for a country, which for years now has been doing all the right things in terms of laying down solid economic foundations.

And although some of the ideas emanating from the Economic Council's report have undoubtedly originated with the new generation of bright and highly-qualified young advisers, who have been moved into key positions in the recent past – there is no doubt that the driving force behind this fresh determination to get the country back on track is the Sultan himself.

A haven of political, social and economic stability

Bruneians can count themselves fortunate to have been blessed with two successive leaders of such high calibre. Men of foresight and vision, His Majesty Sultan Haji Hassanal Bolkiah, the 29th Sultan, and his father before him have each in turn displayed a combination of wisdom, shrewdness, patience, diplomacy and an overriding concern for the well being of the people in steering their tiny and potentially vulnerable country to a position where, at the start of the 21st century, it is firmly

All Brunei Darussalam's natural gas exports go to Japan and Korea.

established as a haven of political, social and economic stability in the region.

The present Sultan's father, Sultan Haji Sir Omar Ali Saifuddien III, deservedly earned a reputation as the Architect of Modern Brunei for the statesmanlike way in which he guided the obscure colonial protectorate he inherited in 1950 through the complex early stages of disengagement from Britain.

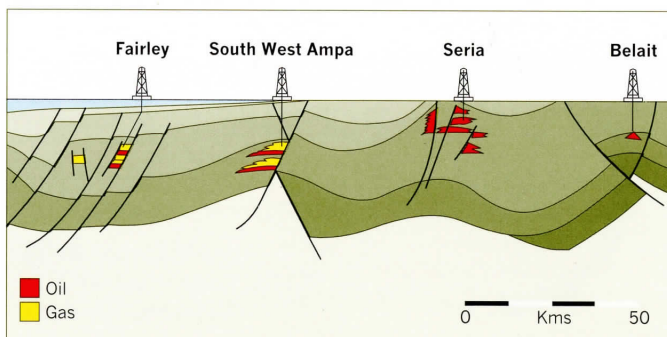
With the wisdom of hindsight, it is obvious that he made all the right moves in gradually assuming control of internal affairs while bravely and controversially resisting any headlong rush towards full independence. At the time, however, the way ahead was not nearly as clear as it is now, and there was intense pressure from all sides to take the plunge. Fortunately for Brunei, Sultan Haji Sir Omar Ali Saifuddien was aware that his fledgling nation was not quite ready to stand and survive on its own, and needed continued protection.

At the same time, again with great foresight and determination, he set about using the rapidly burgeoning income from oil production to transform what was then still a Third World country, with a population of less than 60,000, virtually no infrastructure and few modern amenities, into a modern welfare state.

Oil had first been struck in Seria in 1929, but it wasn't until the 1950s that the State's income from it began to escalate dramatically as production levels rose rapidly. In 1950 an anticipated revenue surplus of just over B\$ 1 million soared to nearly B\$ 9 million. By 1952, royalty payments from oil were B\$ 75 million and rising fast as new fields were developed. For Brunei, whose total state revenue in 1931, the year before oil first came on stream, had been a mere B\$ 342,010, it marked the start of a second Golden Age.

You have to look back nearly 500 years in the country's colourful history to find the last time it experienced such a flowering of wealth, power and influence as it is enjoying today. Known to have existed as a trading nation in the South China Sea as early as the 10th century (when it was called Puni), it was in the late 15th century that the charismatic sailor-king Sultan Bolkiah, the fifth Sultan of Brunei, forged a nation that extended throughout the whole of Borneo and much of the Philippines.

The Sultan used his powerful fleet to establish a flourishing trade empire centred on the ancient capital of Kota Batu, where his tomb still looks out over the Brunei river on which his ships used to ride proudly at anchor. European



Oil was first struck on land at Seria in 1929 at a depth of 297 metres. The oldest offshore field is South West Ampa, which was discovered in 1963 and started production two years later. Oil and gas wells here have been drilled to a depth of three kilometres and more. South West Ampa's reservoirs hold more than half Brunei's total gas reserves and gas production from the field accounts for 60 per cent of the country's total production.

visitors at the time marvelled at the splendour and ritual of his court and the wealth that was based largely on the export of camphor, a product almost as much in demand then as oil is today.

National pride rediscovered

From this peak of prosperity, Brunei's fortunes went into gradual and then rapid decline in the face of European inroads into the region in the 17th, 18th and 19th centuries. The country eventually lost so much of its territory that it was in grave danger of being squeezed off the map altogether by the time it formally became a British protected state in 1888. For most of the next 100 years it was little more than a semi-colonial backwater, run by a lowly British Resident.

Now that oil wealth has dramatically restored the country's fortunes, allowing Bruneians to rediscover their national pride, the lessons of the past have not been lost on the people or their rulers. Nothing, it seems, is being taken for granted this time around.

The legend of the Golden Mountain, in which a great mountain of gold rises in Brunei Bay with the promise of great wealth, only to disappear again in disgust when it discovers that the people casually throw away their left-over rice, is an allegorical story traditionally told to all Bruneian children at their mother's knee – to encourage waste-not-want-not values.

Despite the prospect of seemingly never-ending wealth from the oil and gas reserves, that simple message appears to have been implanted deep into the Bruneian psyche, resulting in a determination not to squander the nation's valuable natural resources.

Within three years of coming to power in 1950, Sultan Haji Sir Omar Ali Saifuddien had announced the first five-year National Development Plan, for which he earmarked a massive budget of B\$ 100 million. This was a staggering sum at that time, and contemporary international observers were astounded and impressed by the scale and scope of its provisions. The hugely ambitious programme of modernisation included the rapid expansion of educational and medical facilities, the building of houses, roads, bridges and power stations, the installation of broadcasting and telephone systems, and the improvement of the traditional agriculture and fisheries industries.

