



# BRUNEI ECONOMIC BULLETIN

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**THE EDITOR  
BRUNEI ECONOMIC BULLETIN  
DEPARTMENT OF ECONOMIC PLANNING AND DEVELOPMENT  
PRIME MINISTER'S OFFICE**

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BOLKIAH, MINISTER OF FOREIGN AFFAIRS  
AT A SPECIAL CONFERENCE ON BRUNEI DARUSSALAM'S  
ECONOMIC FUTURE  
BANDAR SERI BEGAWAN  
17 APRIL 2002  
" A VISION OF BRUNEI DARUSSALAM'S ECONOMIC FUTURE "**

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### *Ladies and gentlemen*

*May I start by saying what a great pleasure it is to be with you here tonight. Seeing you all here reminds me of the phrase used in last year's Visit Brunei Year.*

*" A Kingdom of Unexpected Treasures".*

*By this, our promoters pointed to our wealth of natural attractions, our seas, our rivers, our forests, the charm of our many different peoples and our long and adventurous history.*

*Tonight, however, I hope we can add another one which could be the most exciting treasure of all- our economic future.*

*My task tonight is to explain why.*

*I must admit it is quite a challenge. It is a very different role to my normal one as Minister of Foreign Affairs, even though I must say that I sometimes find economic affairs fairly foreign. In fact, I was more than willing to admit this the first time I spoke to a large group of businessmen and women.*

*That was several years ago now. Like the rest of South East Asia, we were riding what seemed like an endless wave of confidence.*

*Those were exciting days. But I also felt that there was a certain danger about them. I felt it instinctively, not as any kind of economic expert, but as a simple observer.*

*I was worried by the attitude of many economic planners. They were intelligent people but they had a tendency, I noted, to cut themselves off from the real world. That is to say, the world of ordinary businessmen and women and the ordinary people they served. In other words, people like you.*

*This bothered me.*

*I was a little uneasy about all the government think tanks in our region, with their mountains of statistics, their rivers of charts and their oceans of technical jargon.*

*The whole process seemed to be based on a disturbing sort of confidence. A kind of super-confidence.*

*It seemed as if they were trying to create a system all of their own.*

*It certainly looked outstanding on paper. But I felt it paid little heed to the world as it really is. A world of real prices, real loans and real debts, real human weakness and error and real human failure.*

*Then came 1997 and the economic crisis that tore up all the paper planning and devastated business in South East Asia.*

## **Statistical Data (2002)**

- CPI: 119.7
- Total Exports: BND 1,486.96 million
- Total Import: BND 551.8 million
- Trade Surplus : BND 989.13 million
- Exchange Rate : BND 1.83 to USD 1

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*The real world imposed itself on us all.*

*Later that year, I had the privilege of speaking again to a group of businessmen from Japan.*

*By then, the bubble of confidence had burst. All over the developing world, the planners were having to admit to their people. 'Sorry, we got it wrong'.*

*Little wonder also, that we in Brunei decided that, whatever we are doing in the future, we have to get it right!*

*There was a limit, we knew, to the number of times, governments can say, "Sorry, people! We got it wrong!"*

*So our main objective since then has been to try to make very sure we are "getting it right"*

*We have to pursue this aim for almost five years since the Asian economic crisis. That is why we have not tried to take too many short-term crisis measures of our own. Instead, we have tried to work carefully with a wary eye on the past and a determination not to be over-confident.*

*What we hope we have achieved is a business-like approach to the future.*

*By this, I mean maintaining the optimism all those in business must always have, but also acting with caution and responsibility like all successful businesses do.*

*We have good reason to adopt this approach. Just as you in business are investing your capital and your career in your companies, so we in government are investing our people's hopes for a decent future life in their own country.*

*Hence the stakes for you and for us are enormous and that's why we both need each other as full partners in a real partnership.*

*By that, I mean sharing our tasks and sharing our responsibilities. Our job in government is to make it easy for you to work here. Yours, if you decide to join us, is to do that work to the very best of your ability.*

*Your reward is the success of your venture. Ours is the assurance of our people's economic well-being.*

*That seems to me to be the clearest summary of what is meant by a "partnership" between the public and the private sectors.*

*As for the practical side of all this, we began our contribution about two and a half years ago. That was when I was asked to head our first ever national economic council and to set it up as a joint effort between the government and private business.*

*The country's economic position at the time is all on record. Suffice to say, the situation had been extremely worrying ever since the 1997 crisis. The future was also problematic because of a global slowdown and difficulties being experienced by the major economic powers. So, as you can imagine, the mood when we all sat down was very serious.*

*It took one year for the council to complete its initial report. It was presented in terms that were as professional, straightforward and transparent as we could produce. It put forward provisions aimed at revitalizing our economy. Its deeper concern was to ensure that our people have long-term economic security, the kind of security that gives them a chance to plan their lives and their families' futures without worry'.*

*Thankfully, it was very well received by Cabinet. Many of the major proposals were approved immediately and presented as recovery packages. These, I would say, have had a good effect. So much so that are being extended and we are moving rapidly on with longer-term measures.*

*In particular, we are streamlining government's role through our Department of Economic Planning and Development. This, I am sure you will agree, is an essential part of any modern approach.*

*We have done this urgently because we know that a strong private sector is needed. It must be able to market its products locally, regionally and internationally and, to do this, it must be underpinned by an efficient, responsive and sympathetic government.*

*In addition, an Economic Board has now been appointed. It is expected to work closely with new investors and has been told, not only to attract and welcome them, but also to assist them directly in their efforts to succeed.*

*Its members are here tonight. They come from many different sectors of our economy and I have a lot of faith in them.*

*Their principal job description is to do things the way I personally like things done.*

*Simply.*

*They simply exist to help you. They are there simply to provide you with what you may need and the simple answers to the simple questions you simply have to have.*

*If they don't do this.*

*Simple let me know !*

*Where you have problems they are there to listen, not tell, and to help, not hinder. In words, their job is to help you get on with your business. In your own office. Not stuck in a government department.*

*In short, what they are saying is : "Make it absolutely clear what you require,".*

*And if, like all good parents, they first say, " we'll see", don't be disillusioned! They really will !*

*As their chairman, I liken us to one of our big ceremonial umbrellas under which you can feel safe from the sterns of officialdom and the hailstones of red tape. We will open it over you whenever you need it. The only things it can't protect you from are the cold winds of your bank managers!*

*Above all, we do not exist to tell you what to do. We do not even want to suggest it. It is you who are investing your assets. As for us, we are investing our local knowledge, our goodwill and our enormous desire to see you succeed.*

*We are not investment counsellors. In terms of international trade and investment, we would certainly claim to be experts in the oil and gas industries but, elsewhere, we would be the first to admit, we are beginners.*

*We cannot tell you what will work in Brunei. All we can say is that whatever your knowledge and experience tells you could work, we are committed to making life easier for you to do it well.*

*We would also add, however, that we believe there is tremendous potential in Brunei Darussalam.*

*We hope you will be able to uncover a special niche for Brunei in regional and even global commerce. If you do, I am sure it will be strengthened considerably by the country's stability, its clean environment , its increasingly modern infrastructure and its well-established professional institutions, all equally bound by the rule of law.*

*It may also reflect the fact that we have already put quite a number of open-ended opportunities in place. Not only nationally, but also involving our neighbors in Malaysia, the Philippines and Indonesia.*

*On top of that, of course, there are some unique practical advantages here, not the least of which is the lack of personal income tax.*

*As well as all this, there are more abstract but equally important qualities we offer. Those of you who know a little about us will know that our people are willing to work hard. They appreciate talent and success in all walks of life and they have a firm spirit of friendship and cooperation.*

*At the same time, however, we recognize that we may have to consider adjusting or even altering some things and we are prepared to look at whatever may be needed. In fact, several changes are already underway.*

*We are also keen to hear from you about what else may be required. Consultation and discussion has always been the basis of traditional life in Brunei life and we hope that this will become a firmly established future business climate.*

*So in general terms, I believe we have quite a lot to offer. Specifically, however as I said before, I cannot tell you what investment will pay off here.*

*Nor would I want to, telling businessmen what is good for them was part and parcel of rigid Government planning and those days are gone.*

*What I can tell you, though is that this time we are determined to get it right. And that means we are not the experts.*

*You are.*

*What we have is a prototype vehicle and we think it is a good one. But, like all new models, it needs road testing.*

*And you are the ones who can do that best, through your experience, your ideas, your talent and your expertise. As our friends and partners, your judgments and your decisions are vital.*

*So, I wish you well in your discussions tomorrow and in your decisions in the coming months and year.*

*To all of you from overseas, I would like to welcome you most warmly to our shores and wish you a very enjoyable stay amongst us.*

*And, to my fellow countrymen and women, particularly those who have so willingly given their time and talents to helping us establish the Economic Council and our Economic Board, I would like to thank you very much indeed. I am most grateful for your commitment to our country and its future progress.*

*In your case, I do wish you' "a good stay", for you are already here.*

*So, to you, I just simple say, " stay!"*

*"Stay here!"*

*Stay working hard. Stay trying! And stay building your tremendous contribution to our people.*

*Look nowhere else but here.*

*The future is wide open and exciting. It may take time to realise its full potential but I promise you the dividend will be very very good indeed.*

**Thank You.**

**ADDRESS AT BRUNEI ECONOMIC FUTURE LUNCHEON BY  
AWANG HAJI ABD WAHAB JUNED  
PERMANENT SECRETARY,  
PRIME MINISTER'S OFFICE.  
18 APRIL 2002.  
INTERNATIONAL CONVENTION CENTRE, BANDAR SERI  
BEGAWAN.**

## **The 8<sup>th</sup> NDP - What are the Priorities and Where will the Money be Spent**

Yang Berhormat Pehin Orang Kaya Amar Pahlawan Dato Seri Setia Awang Haji Zakaria bin Dato Mahawangsa Awang Haji Sulaiman, Minister of Communication as the guest of honour,

Mr Timothy Ong,  
Chairman, Asia Inc, the conference organiser,

Dato Paduka Awang Hamdillah bin Haji Abd Wahab, Session's Chairman,

**Distinguished delegates  
Ladies and Gentlemen,**

Good afternoon,

As you know, I am asked to talk about very specific questions regarding the 8<sup>th</sup> National Development Plan namely what are the priorities and where will the money be spent.

Since the launch of the 8<sup>th</sup> National Development Plan in October last year, the subject matters have been well publicised and documented particularly the programmes and projects as well as the money allocated for each programme.

However, what I wish to share with you is the rationale behind the priorities and the implementation strategy.

Distinguished guests  
Ladies and Gentlemen,

As stated by His Royal Highness Prince Mohammed Bolkiah, The Minister of Foreign Affairs in his keynote address last night, the findings of the Brunei Darussalam Economic Council on the state of the nation's economy were indeed very worrying, short term measures must not be allowed to continue without a time frame and a determined outcome.

Following the adoption of the recommendations of the council by the Cabinet, the Short Term Economic Recovery Measures have been implemented and extended till this year. While the medium and long term measures are incorporated into the implementation of the present 8<sup>th</sup> National Development Plan where possible.

In its report, the Brunei Darussalam Economic Council has put forward recommendations not only to revitalise economic recovery, more importantly they set the foundation for our future sustainable development. The strategy outlined by the council calls for;

- ◆ first and foremost the strengthening of the government finance,
- ◆ second, to develop and strengthen the private sector,
- ◆ third, develop information communication capability,
- ◆ fourth, develop human resources, and
- ◆ fifthly, adopt good governance.

The 8<sup>th</sup> National Development Plan continues to focus on maintaining prosperity for the people and country such as

maintaining high living standards that includes a well educated, healthy population and a clean environment, through sustainable development.

In implementing the programme under the National Development Plan, the government acknowledges the need for a change in our approach. This was aptly reflected in the keynote address, I quote '...at the same time, however, we recognise that we may have to consider adjusting or even altering some things and we are prepared to look at whatever may be needed. In fact, several changes are already under way'.

One of the key thrusts under the 8<sup>th</sup> NDP is the need to speed up the process of economic diversification. We acknowledge the issue of economic diversification has been in the development plan for a very long time. Hence the new approach is resolved at realising this hope by fitting the strategy to the development plan.

Firstly, in the areas of services such as establishing Brunei Darussalam as a financial centre, developing and promoting tourism services and developing and promoting transshipment infrastructure and services.

Secondly, in the area of Information Communication Technology.

Thirdly, in the development and promotion of Brunei brand halal food products and services. and,

Fourthly, the expansion of oil and gas related activities.

Services sector, particularly the financial centre, tourism and port services will be one of the main focus for the economic diversification process. On the establishment of the Brunei International Financial Centre, the Ministry of Finance have introduced 10 new laws in 2000 and 2002 to stimulate and facilitate growth in the financial services and to attract international financial institutions to set up their operations in the country. The Brunei International Financial Center in line with the strategy to strengthen government finance is now in operation and has gained recognition from overseas foreign financial institutions.

Islamic banking services and products is another area gaining strong following locally and internationally.

A total of BND 63 million worth of 8<sup>th</sup> NDP projects was identified under tourism development. Out of this allocation, about BND 5 million is allocated for promotion and marketing activities, about BND 1 million is for upgrading tourist facilities such as increasing the number of tourist information centres at entry points around the country, improving tourist facilities in Kampong Air, hotel and restaurant classification and accreditation system.

BND 12 million for new product development which includes development of open air archaeological park, Brooketon Colliery project and development in Kampong Air water front.

About BND 6 million for promoting and organising events with international participation.

The National Development Plan allocated BND 60 million to further develop port facilities to facilitate growth in import and export services; some BND 12 million for development of Inland Container Depots (ICD); BND 9 million for waterway maintenance at Muara Port; BND 15 million for service and export hub at Muara Port; BND 5 million for a new wharf at

Bangar, Temburong; BND 5 million Temburong Royal Customs and Excise check point and about BND 2 million for Kuala Belait harbour complex.

Information and Communication Technology (ICT) is recognised as a major foundation of the knowledge based economy. In Brunei Darussalam, on average, 1 in 3 households in non-rural and 1 in 9 households in remote rural areas are connected or have access to the internet. These figures provide us with the base or benchmark for ICT interconnectivity and coverage before the implementation of the development plan.

Due to the importance of ICT development, a scheme valued at about BND 1 billion is given under the development plan. The projects under this scheme will include expansion and upgrading of the nationwide network and corporate infrastructure, e-government, e-education and the setting up of the Brunei Cyber Park.

BND 20 million has been allocated for development of Technology Park; BND 287 million for development of high technology industries.

Brunei Darussalam is gaining recognition internationally as a nation concerned for the quality and compliance in processing halal food products that the Brunei halal brand is a marketable brand name in the food industry. The Brunei brand halal food industry is also identified to be a promoted industry. A total of BND 143 million are allocated under the development plan to help further expand not only the production and processing of halal food based in this country but also to promote strategic alliances with neighbouring countries.

The expansion of the oil and gas industry will be spearheaded by the newly formed Brunei National Oil Company, includes the opening of new oil and gas exploration areas.

The development of Pulau Muara Besar, will be the next flag ship for Brunei Darussalam industrial development and will be spearheaded by the newly formed Brunei Economic Development Board. The government has allocated an initial investment of BND 300 million for the board to implement the Pulau Muara Besar development. We believe this will provide the launching platform to the government's drive to attract foreign investors.

Distinguished delegates,  
Ladies and Gentlemen,

The success of this economic diversification process will need several factors. One of this includes a need to strengthen the currently relatively weak private sector. The weak private sector has caused an absorptive capacity constraint on investment.

The private sector as the engine of growth must be strong and dynamic in order to survive and flourish in the currently volatile world economy. Several efforts have been made by His Majesty's Government to address this issue. These include the enhancement of the entrepreneurship development programmes not only for new would be entrepreneurs but also for existing ones. Under the National Development Plan, a total of about BND 37 million worth of projects are identified under trade & entrepre-

neurship development.

His Majesty's Government through its statutory bodies and corporations such as the newly established Economic Development Board, RBA and Semaun Holdings would also spearhead the development of the private sector by actively investing on strategic areas to promote growth and creating opportunities to the SMEs.

Corporatisation and privatisation of public services will also provide avenues to help boost the private sector.

Appointment of new members to the newly formed Brunei Economic Development board is to give impetus to Brunei Darussalam efforts to promote investment opportunities to attract foreign direct investments. The government of His Majesty have provided more transparent and attractive policies and procedures through formulation of laws and amendments of existing ones. Furthermore, deregulation to accommodate the requirements of the private sector the economic development process is very much influenced by rapid global advances in science and technology especially in the areas of information and communication technology, electronic and natural sciences.

Human knowledge, skills and creativity, in other words, the human capital is needed above all to give Brunei Darussalam a competitive advantage under the knowledge based economy. Realising the importance of developing this human capital, His Majesty's Government has put special emphasis on the promotion and development of human resources and science and technology, under the National Development Plan. A total scheme value of about BND 266 million are designated for education development projects in addition to about BND 280 million for the human resource and science & technology fund.

Efforts are also in place to establish a productivity and standard body responsible for promoting and encouraging improved productivity and conformance to international standards both in the public as well as in the private sector. Conformance with international standards both in products and services are essential in order to gain international acceptance and be allowed to compete equally with other nations in the global market.

In order to achieve sustainable development, His Majesty's Government has also taken into account environmental considerations. The National Development fund has given due emphasis on reforestation programmes and protection of biodiversity in the country together with maintaining the current conservative logging policy.

#### **Closing Remarks**

In conclusion, His Majesty's Government will remain committed to generally provide direct development funds for strategic and crucial areas as already outlined. These are considered critical for the long term sustainable economic growth.

At the same time, the Government is also looking at ways that will allow synergistic alliance (cooperation) between the public and private sectors. This includes provision for greater participation by the private sector in Brunei Darussalam's economic development. The privately financed initiatives constitute a new means of implementing the National Development Plan.

With respect to ownership of industrial land as well as guidelines for participation in privatisation of identified government services are being finalised.

Through the projects under the National Development Plan there are ample opportunities and challenges for local businesses to strengthen, grow and develop.

To borrow His Royal Highness Prince Mohamed statement in His Royal Highness keynote address, our economic diversification programme could be one of the surprises in the kingdom of unexpected treasures.

Distinguished delegates,  
Ladies and Gentlemen

I hope I have addressed the issues on hand of identifying the promoted sectors and the allocation of fund under the 8<sup>th</sup> National Development Fund.

I also hope the deliberation has helped all concern to share and emulate the sense of urgency for the development programme to be efficiently and timely implemented.

This calls for implementing agencies to ensure development programmes are implemented within budget. We also need to ensure that the government is getting value for money from all services. Most importantly, priority projects are given priority.

The implementation strategy adopted by the Government of His Majesty for the 8<sup>th</sup> National Development Plan clearly indicates the direction and commitment in providing the means for a sustainable economic development with the participation of the public and the private sectors as well as the people of Brunei Darussalam.

**Thank You.**

**BRUNEI DARUSSALAM FIRST QUARTER ECONOMIC REVIEW & OUTLOOK AND RECENT ECONOMIC DEVELOPMENTS**

1<sup>ST</sup> QUARTER ECONOMIC REVIEW

The Brunei Darussalam economy is expected to continue its recovery amid positive development in the crude oil price, impact of BND 1 billion fiscal stimulus allocated for 2002 and stronger demand for car sales following the reduced import duty of car announced early November 2001.

The average contract price of Brunei Darussalam's crude oil (Tapis Blend) improved to USD25.35/barrel at the end of Q1 2002, after sinking to a low USD18.55/barrel in the months following the Sept 11 attack last year. The world prices of LNG, Brunei Darussalam's other major export have seen similar trend. In addition, the continued weakening of the Brunei dollar against the US dollar would boost exports and revenue (in Brunei dollar terms). Many of the new projects planned for implementation under the BND 1 billion and extension of the BND 200 million Economic Recovery Package stimuli are in the tender stage and are expected to boost the economic recovery well into the rest of this year.

The few industries that are benefiting from the stimulus packages are construction and the supply-related activities. Total sales of local cements for Q1 2002, for example, continued to increase from its Q3 and Q4 of 2001 figures. Compared to the first quarter of last year the increase is about 17.4%. Import of Stone, also improved by almost 60% from the Q4 2001 figure and about doubled the figures in the same period of last year. Import of construction materials rose by 3.19% and 17.28% respectively compared to the first quarter 2001.

Another indicator of higher domestic demand, which helped boost the economic recovery, is the car sales. The Government's move to reduce the import duty of motor vehicles, in the fourth quarter of 2001, have seen increase in the number of the new car registered. The number of new car registered from January to March 2002 totaled 2,444 units, or 23.7% increase from Q4 2001 figure or 51.1% improved sales compared to the same period last year. The higher car sales is proving to be good news for other related industries particularly in banking and finance, insurance, car accessories and workshop sectors.

The volatility in the oil and gas sector, the higher transactions of imported materials in US currency and the capacity build-ups- such as lack of infrastructure, identifying and gazetting the preferred site for development, land compensation, appointment of consultants - in the implementation of the 1 billion dollar package would have a direct bearing on the growth performance, targeted at 5 to 6% during the 8<sup>th</sup> National Development period.

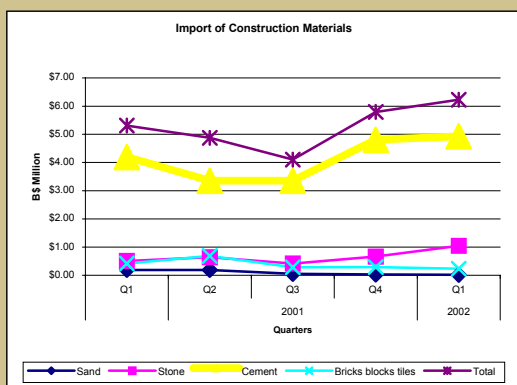
**Inflation**

Consumer price index (CPI) increased by 1.1% in January 2002, the first monthly increase since September 2001, compared with the previous month. It remained constant in February 2002 but recorded a marginal increase of 0.1% in March 2002.

The increase in January 2002 CPI compared to the previous month was mostly on account of the increase in prices of items under the Major Group Indices of Clothing & Footwear (by 9.0%); Housing (by 1.5%); Miscellaneous (by 1.1%); and Food (by 0.2%). On the other hand, the Transport and Communications Major Group Index had remained constant.

The higher prices of the majority of consumer items in January 2002 were well anticipated as the annual Brunei Grand Sale held throughout the country had its deadline on the last day of December 2001. Discounted prices returned to their normal prices.

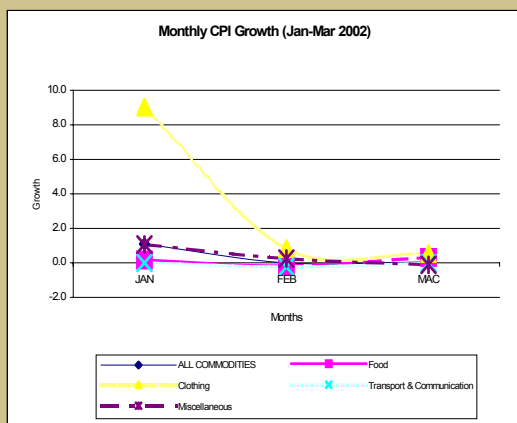
The CPI for February 2002 remained unchanged. The overall Major Group Index of Food declined by 0.2% following cheaper Seafood & Sea-



**Number of New Car Registration Q1 2001 - Q1 2002**

	2001				2002
	Q1	Q2	Q3	Q4	Q1
<b>New Car Registration</b>	1,617	1,644	1,708	1,976	2,444

Source : Dept. of Land Transports



## Consumer Price Index January – March

COMMODITY GROUP	WEIGHT	2002		
		JAN	FEB	MAR
ALL COMMODITIES	10.000	119.7	119.7	119.8
I. Food	3,873	118.8	118.6	119.0
II. Clothing	640	132.8	133.9	134.6
III. Housing	1,864	106.9	107.0	106.4
IV. Transport & Communication	1,989	126.3	126.0	126.0
V. Miscellaneous	1,634	123.4	123.7	123.6

food Products (by 0.7%); Meat & Meat Products (by 0.5%) offered for the "Hari Raya Aidil Adha" Celebration; and Fruits (by 0.5%). Meanwhile the Transport & Communications Major Group Index also declined by 0.2% following cheaper prices of tyres and selected motor oil due to stiff competition among retailers. The Major Group Indices of Clothing & Footwear; Housing; and Miscellaneous, however, increased by 0.8%, 0.1% and 0.2%, respectively.

The CPI for March 2002 increased only by 0.1%. Transport & Communications Major Group Index remained constant while the Major Group Indices of Food; and Clothing & Footwear increased by 0.3% and 0.5%, respectively. Meanwhile the Housing; and Miscellaneous Major Group Index dropped by 0.6% and 0.1%, respectively.

Compared to same period the year before, the CPI for Q1 2002 decreased by 2.4%. This was due mainly to lower Major Group Indices of Transport and Communications (by 10.4%); Clothing and Footwear (by 2.2%); and Housing (by 0.9%). However, the Food and Miscellaneous Major Group Indices were more expensive by 0.6% and 0.1%, respectively.

The reduction in import duty announced on November 6, 2001, from as high as 200% to a flat rate of 20% on all motor vehicles, contributed to the much lower cost of Private Road Transport Sub-Group Index in Q1 2002 compared to Q1 2001.

The reduction in the rental fees for commercial and telephone lines from BND 25.00 and BND 17.00 respectively to BND 13.00 per month and international call charges commencing January 1, 2002 likewise contributed to the much lower price of Communication Sub-Group Index. The increased of airfare charges and passenger insurances in January 2002, however, was insufficient to offset the sharp decrease of items under the telecommunication sector above.

On the whole, the lower price index of consumer goods in the first quarter was a combination of lower tariff, reduced charges, stiff competition as well as relatively cheaper imported prices. The continued weakening of the Brunei dollar against the US dollar, however, would have a far-reaching effect on the consumer goods, industrial and building materials in the medium and long term as prices sold in US currencies would become relatively more costly.

## External Trade

### Exports

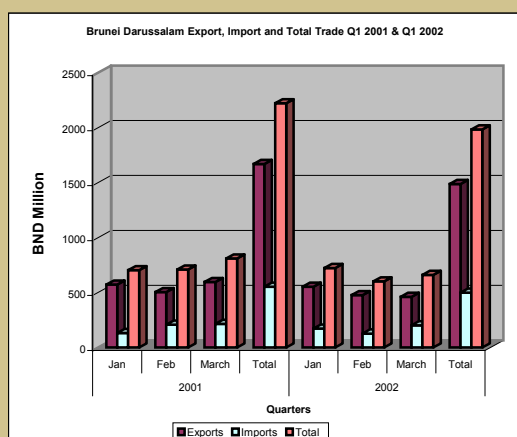
Total exports for the first quarter 2002 decreased by 10.97% to BND 1,486.96 million compared to BND 1,670.13 million of the same period last year. Petroleum exports (crude and condensate) declined by 12.24%, reflecting lower oil price (from US\$26.24 in Jan 2001 to US\$19.67 in Jan 2002). Similarly, exports of LNG decreased by 6.26%. Total oil and gas exports for the first quarter 2002 decreased by 9.28% from BND 1,559.50 million, same period last year to only BND 1,414.74 million.

The total value of garments export also decreased by 1.28% i.e. from BND63.31 million in the first quarter of 2001 to BND62.50 million in 2002. The overall Non-Oil & Gas export decreased at the same period by 34.72%, from BND110.63 million in 2001 to BND72.22 million in 2002.

Japan remains the dominant export market which account for 48.59% of total exports in the first quarter of 2002, followed by ASEAN (23.33%), Korea (23.15%) and Australia (8.15%). Brunei export to Japan dropped by 16.87% during this period compared to 2001 while export to ASEAN countries increased its shares from 15.22% to 23.33% in 2002.

### Imports

Total imports decreased by 9.73%, from BND 551.80 million in the first quarter of 2001 to BND 498.13 million of the same period in 2002. In value terms, Miscellaneous Transactions and Commodities decreased by 93.78%



followed by Food & Live animals (23.86%), Manufactured Goods (19.98%), Beverages & Tobacco (14.92%), Mineral Fuels (14.81%), Chemical (4.55%) and Machinery & Transport Equipments (1.93%). Imports of Crude Material Inedible and Miscellaneous Manufactured Articles increased by 60.63% and 10.51% respectively, while Animal & Vegetable Oils & Fats increased by 6.32%.

Looking at the origin of imports, in first quarter 2002, some 47% of total imports were sourced from ASEAN countries whilst imports share from Japan, accounted for 18.3%. Share of imports from European Union and USA accounted for 10.76% and 8.10% respectively.

**Balance of Trade**

In the first quarter of 2002, a decrease in exports by 10.97% adversely affected the balance of trade for this period. The trade surplus was reduced by 11.58% from BND 1,118.30 million in Q1 2001 to BND 988.13 million in the same period in 2002. This is mainly due to the fall in prices of oil and gas.

**Fiscal Policy**

Following the fall in crude oil prices in the first half of 1999 and fourth quarter of the year 2000, His Majesty's government introduced Keynesian-type fiscal stimulus amounting to BND 1 billion under the 2002 National Development Budget and the extension of the BND200 million Short Term Economic Recovery Package. The substantial fiscal injection and the ongoing economic recovery programme is indeed a welcome news for the business sector which has relatively been inactive since the 1997 Asian financial crisis and the adoption of a fiscal consolidation policy.

Total government capital expenditure at the first quarter of 2002 stood at an estimated BND193.20 million (i.e. 19.30% of the total \$1 billion allocation). The lower expenditure is well expected during the initial months as the government departments are mobilising their resources to prepare for the full implementation of their projects into the year. As stated previously, this year the government is putting a coordinated efforts to minimise constraints that would lower the capacity build-ups.

Government revenue in the first quarter 2002 is estimated to be lower by 6.53% from BND1,054.53 million to BND985.70 million compared to the same period the year before. The decrease was mainly due to reduction in revenue from the oil sector following the fall in oil and gas prices.

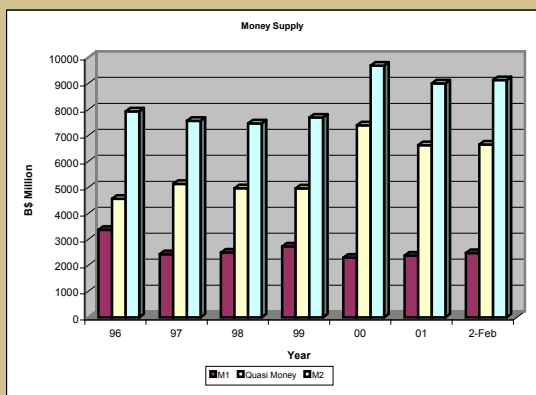
**Monetary Development**

Overall, the M1 positions expanded in February 2002 by 3.3% to BND 2,474 million due to the increase in demand for cash for general withdrawals and to meet other banks' transactions activities and simultaneously increased the demand deposits by 4.8% to BND 1,821 million. The broad money positions simultaneously increased by 1.44% to BND 9,127.86 million compared to BND 8,998.20 million last December 2001. The increase in broad money generally indicated positive progress of certain domestic economic activities during the month.

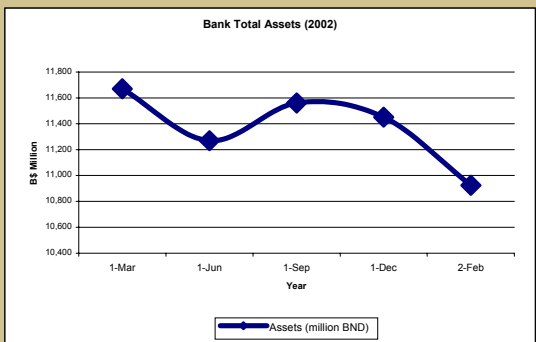
**Commercial Banks**

The commercial banks' total assets decreased by 4.59% from BND 11,451 million in Dec 2001 to BND 10,925 in February 2002. This is due to the decline of several banking activities such as loan and advances and investments and also by the decrease in bank activities by 8.09% where depositors may switch their deposits to other high-yielding investments abroad.

The slow progress of domestic economy since the financial crisis in mid-1997 hit the region and the influence of continuous world economic downturns prompting the awareness to measure the country's developments priorities. Through the 8<sup>th</sup> National Development Plan, development of infrastructures, agriculture, constructions and other government income-



Source : Financial Institution Section, Min. of Finance



Source : Financial Institution Section, Min. of Finance

\* DEPD Estimate



**Loan Aggregates**

	96	97	98	99	00	01
<b>Total</b>	<b>3160</b>	<b>5219</b>	<b>3776</b>	<b>3761</b>	<b>4198</b>	<b>4281</b>
Agriculture	18	34	37	41	47	54
Credit & Financial	167	1601	59	79	69	42
Manufacturing	40	67	91	95	80	176
Transportation	116	221	212	191	216	144
Construction	569	822	717	539	607	509
General Commerce	389	562	518	650	601	637
Professional Services	36	42	47	90	59	93
Personal Loans	1825	1870	2095	2076	2519	2626

Source : Financial Institution Section, Min. of Finance

**Non-Performing Loans**

	97	98	99	00	01	02
60-90 days	37	86	51	46	20.88	21.84
91-120 days	8	16	14	20	23.4	34.01
Over 120 days	138	256	396	540	595.1	594.35
<b>Total NPL (BND million)</b>	<b>183</b>	<b>358</b>	<b>461</b>	<b>606</b>	<b>639.38</b>	<b>650.2</b>

Source : Financial Institution Section, Min. of Finance

**Interest Rates**

	96	97	98	99	00	01
3-mth	3	6.5	1.5	3.03	2.69	1.46
6-mth	3.12	6.5	1.87	3.27	2.69	1.44
12-mth	3.25	6.5	2.25	3.625	2.75	1.76
Prime Lending Rate (PLR)	6.5	6.5	6.5	5.5	5.5	5.5

Source : Financial Institution Section, Min. of Finance

**Bank's Performance**

	96	97	98	99	00
Profits Before Tax (BND million)	165	166	91	74	128

Source : Financial Institution Section, Min. of Finance

**Brunei Darussalam: Exchange Rate  
BND to 1 unit of US Dollar) Annual Average**

1995	1996	1997	1998	1999	2000	2001	Q1 2002 Average
1.4167	1.4095	1.4809	1.6715	1.6953	1.7253	1.7917	1.8344

Source : The Brunei Association of Banks

generating business activities were properly assessed to achieve the nation's goal. In relation to those planning, participation of domestic banks is very crucial to assist the achievements.

The effect from those activities resulted in total lending aggregates rose by 3.13% to BND4, 281 million in Dec 2001 compared to BND 4165 million in September 2001. The increase was supported by the increase in agriculture, manufacturing, general commerce and professional services by 14.89%, 120.0%, 5.99% and 57.63% respectively. However, credit and financial services declined by 39.13%, transportation by 33.33% and construction by 16.14 %. However, on overall, personal loans still dominate about 61.34 % of the total loan disbursed. The trend is not favourable because personal loans do not contribute directly to the nations economic development.

The total of non-performing loans increased by 1.69% from BND 639.38 million in December 2001 to BND 650.20 million in February 2002. Since the government injected impulse funds to boost the domestic economy through the 8<sup>th</sup> NDP projects and the extension of the short term economic recovery plan, Brunei Darussalam's economic activities will be expected to increase and thus expands the monetary development in the coming months.

**Interest Rates**

The domestic prime lending rate at 5.50% was still unadjusted since September 1999 as part of the monetary easing to facilitate the investors to participate in the economic recovery programmes and it is still considered high compared to Singapore's which fell to 5.35%. Other deposits' interest rates such as time and saving down by almost 53% while Singapore around 34% reduction since January 2001. Since the local monetary authority has no 'facility' to mechanise the monetary system, it is hoped that the Brunei Banks Association would streamline the easing policy to ensure a healthy economic environment.

**Bank's Performance**

Generally, the banks' performances were continuously improving where in 1996 profits rose by 0.9% except in 1998 and 1999 fell by 45.2% and 18.4% respectively due to the effects of domestic and regional economic slumps but rebounded by 72.97% increase in 2000. With the bank's active participation in promoting domestic economic through its financial facilities and continuous support by the government, the prospect for the monetary development seems bright in the years to come.

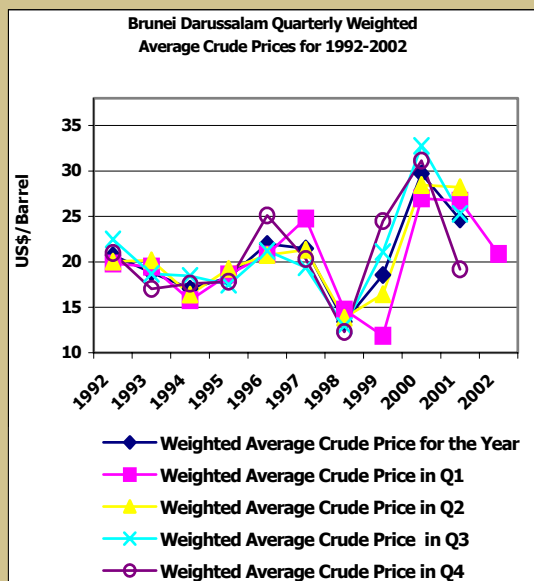
**Exchange Rate**

The movement of Brunei currency against the US currency was quite stable in 2001, at an average exchange rate of BND 1.79 and increased by 2.38% to BND 1.83 by the end of March 2002.

**Medium-term Outlook**

The performance of the Brunei Darussalam's economy in 2002 would largely depend on the crude oil and gas prices and the implementation of the projects under the BND 1 billion National Development. With the price of Brunei Darussalam crude oil, rising to US\$24.85 per barrel towards the end of Q1 2002, it is expected to stabilise coupled with the continuing global economic recovery into the coming months, the short-term outlook of the economy is somewhat positive and favourable. Concurrently, His Majesty's government is making concerted efforts to closely monitor and further facilitate the implementation of the current 8<sup>th</sup> National Development Plan projects. This is to ensure that the BND 1 billion allocation for the projects is used effectively to achieving the desired targets.

## Brunei Darussalam Quarterly Weighted Average Crude Oil Prices



Source: Petroleum Unit, Prime Minister's Office

Brunei Darussalam crude oil price (Tapis Blend) reached up to US\$25.35 per barrel at the end of Q1 2002, after collapsing to as low as US\$18.55 per barrel in the months following the September 11, 2001 attack. Weighted average crude prices stood at US\$22.99 per barrel in March 2002 and this represented a 14.0% jump compared to average prices in February 2002, which was US\$20.17 per barrel. Weighted average crude prices for Q1 2002 however was still lower by 21.9% when compared to same period the year before, that was US\$20.87 per barrel in Q1 2002 against US\$26.73 per barrel in Q1 2001.

Crude oil prices showed an upward trend in Q1 2002 notably on several important world events such as:

- The Organisation of Petroleum Exporting Countries (OPEC) and five non-cartel producers agreed to slice almost two million barrels per day from world supplies from January 1, 2002 to counter reducing demand and increase prices;
- Firm sentiment that major producers were serious about implementing the above agreed supply curbs;
- Cut to refinery running rates in January 2002 in the United States;
- A fire broke out in early February in Kuwait which resulted in the shutting of a third of the OPEC nation's crude output;
- Fears of US-led military action against Iraq, a crude producer in OPEC;
- Signs of recovery in the US economy. The International Monetary Fund reforecast US growth of 1.4% this year, doubled what the fund had been forecasting in December last year; and
- OPEC decision in mid-March 2002 to maintain supply curbs until the end of June 2002.

## 8th NATIONAL DEVELOPMENT PLAN

### Implementation Progress of the 8<sup>th</sup> NDP Projects for the First Quarter of 2002

#### Breakdown of 2002 Budget Allocation

A budget of BND 1 billion has been allocated to implement the second year of the 8<sup>th</sup> National Development Plan (8<sup>th</sup> NDP). Out of this amount, BND 492 million is to pay for the completed projects and continue those that have been carried over from the first year. The projects entirely new for the year 2002 is allocated an amount of BND 504 million. The rest which is about BND 4 million is for the contingency. The breakdown of the allocation according to major Sectors is shown as in Table 1.

Table 1. BUDGET ALLOCATION ACCORDING TO MAJOR SECTORS

	Sector	Completed and Carry Over Projects (BND million)	New Projects (BND million)
1.	Industry & Commerce	62.5 (12.7%)	74.3 (14.6%)
2.	Transport & Communication	67.1 (13.6%)	122.8 (24.2%)
3.	Social Services	93.9 (19.1%)	120.6 (23.7%)
4.	Public Utilities	184.6 (37.5%)	71.8 (14.1%)
5.	Public Building	63.6 (12.9%)	13.3 (2.6%)
6.	Security	16.4 (3.3%)	45.5 (8.9%)
7.	Miscellaneous	3.6 (0.01%)	9.0 (1.8%)
8.	Information Technology and Communication	-	51.0 (10.0%)
	<b>Total</b>	<b>492.0</b>	<b>508.0</b>

### Previous Rate of NDP Implementation

Measured by the amount of expenditure over the total approved budget, the implementation achievement of the last three NDPs (5th, 6th and 7th) has been in the range of between 55% and 60%. This somewhat mediocre achievement has necessitated NDP's implementation undergoing some improvement measures.

### Implementation Projection

The various efforts that have hitherto been undertaken to streamline the implementation, however, have not yet shown much signs of improvement. Judging by the total value of financial warrant issued by the first quarter of this year, which about BND 190 million, the implementation trend looks quite similar to that of the previous NDPs. The breakdown of the financial warrant issued according to major sectors is shown in Table 2.

**Table 2: WARRANT ISSUED FOR THE 1ST QUARTERS OF 2002 ACCORDING TO MAJOR SECTORS**

SECTORS	WARRANT ISSUED (BND)
1. Industry and Commerce	25,358,816
2. Transportation and Communications	14,602,702
3. Social Services	35,159,188
4. Public Utilities	98,381,183
5. Public Building	13,326,876
6. Security	1,766,900
7. Miscellaneous	1,700,000
8. Information Technology and Communication	0
<b>TOTAL</b>	<b>190,295,665</b>

A number of projects have been tendered for implementation during this first quarter. These projects have been given the allocation of about BND 51 million. Some of these projects are as in Table 3.

**Table 3: LIST OF SOME PROJECTS BEING TENDERED FOR THE 1st QUARTER**

VOTE NO	DESCRIPTION	SCHEME VALUE BND (millions)	2002 ALLOCATION BND (millions)
806-004	Wasan Vocational School	17.9	5.0
806-011	Rebuilding of MSPSBS Jalan Muara	28	0.5
806-013	Renovation of Old UBD Campus for Permanent Nursing College Campus	10	2.4
807-011	Improvement of Jalan Tutong-Seria (Lumut) (Phase II)	40.98	13.0
827-00	Expansion of Naval Base Muara	100	20

The conservative projection based on previous capacity for expenditure of NDP projects for 2002 is BND 554 million, which is about 55% of the budget allocation. The breakdown of the projection is as shown as in Table 4.

**Table 4: BREAKDOWN OF PROJECTS IMPLEMENTATION EXPENDITURE PROJECTION**

PROJECTS	ALLOCATED BUDGET BND	PROJECTED EXPENDITURE (%)	PROJECTED EXPENDITURE (BND)
<b><u>On Going Projects:</u></b>			
1. Liabilities on completed projects	47,911,292	100%	47,911,292
2. Ongoing Projects	443,810,508	80%	355,048,406
<b>Sub Total</b>	<b>491,721,800</b>		<b>402,959,698</b>
<b><u>New Projects:</u></b>			
1. under Public Works and Consultants	173,775,000	30%	52,132,500
2. under Ministries/Department	330,570,000	30%	99,171,000
<b>Sub Total</b>	<b>504,345,000</b>		<b>151,303,500</b>
<i>Total</i>		<i>(55%)</i>	<i>554,263,198</i>

It is hoped that the improvement measures taken so far will gather momentum and impact positively on the implementation by the third quarter.

As of now, the approved financial warrant is only about 19% of the total allocated budget of one billion. Based on this trend alone, it is expected that by the fourth quarter the warrant required would be around BND 760 millions. At the current rate of utilisation, it is expected that 8th NDP's real spending for the year 2002 would be around BND 650 millions.

## SHORT-TERM ECONOMIC RECOVERY MEASURES

The initial phase of the Short Term Economic Recovery Plan started on the 12th June 2000 as part of the recommendations of the Brunei Darussalam Economic Council.

The main objective of the Plan is to rejuvenate as many as possible local small and medium enterprises which are facing economic difficulties due to the economic downturn. The Plan will provide construction projects, training and upgrading of skills, supply of Info communication and technology equipments and also the Working Capital Credit Fund for SMEs.

Some of the successes of the initial phase of the Plan towards assisting small and medium enterprises in Brunei Darussalam include:-

### BND 45.3 million for Public Housing

Public Housing Development Projects under the Short Term Economic Recovery Plan is still on going. Public Housing is selected to mobilise contractors, local industry through use of cement, roof, paint, concrete blocks, timber, etc and this construction is within the capability of local SMEs. On top of this, it helps to speed up the provisions of housing.

A total of BND 45.3 million was allocated for the construction of 511 houses including essential infrastructure. This project involves 37 packages implemented by two Government Department namely Housing Development Department (HDD) and Public Works Department (PWD). 35 of the total contract packages were awarded and the other 2 still under planning. Out of 511 houses, 204 houses have been completed, while the others are still on going. Table A shows the distribution of housing projects under the scheme.

A total of 31 contractors mainly of class 3,4 and 5 took advantage of the opportunities under the scheme. The project also created hundreds of jobs opportunities and they gained positive experience as well as proven themselves of their capabilities through their successful performance by quality completion of their contracts. Five of the successful contractors in this scheme were recipient of the Working Capital Credit Fund Scheme.

### BND 10 million for SME Working Capital Credit Fund

Small and Medium Enterprises (SMEs) constitute about 95% of business establishments in Brunei Darussalam and contribute to the majority of employment in the private sectors. SMEs thus stand as important players in the economic development of the country. As many other businesses, SMEs were badly affected by the recent economic slow down. In 1997, bankruptcy cases amongst SMEs were on the rise and many SMEs were also experiencing difficulties in getting access to finances.

The Economic Council's Secretariat organised several stimulus packages to revive the economy as part of its Short Term Economic Recovery Plan. The Working Capital Credit Fund, which was launched on The 17th January 2000, was one such measure. The Fund, with a provision of BND 20 million provides SMEs access to low interest Government - backed loan to improve their liquidity and capability to participate in economic recovery projects as well as undertake productive economic activity.

The Scheme bears the following features: -

- It is a soft loan financing, with interest charged at 4.0 % per annum based on annual reducing balance.
- The scheme is open to locally registered companies owned in full or in part by nationals and permanent residents of Brunei Darussalam
- The minimum and maximum amount of financing extended under this scheme are BND 10,000 and BND 1.5 million respectively

**Table A: The distribution of the projects under the two Government Departments**

Department	Total Cost Million S	No of Contract packages	No. Of Houses	Housing Type	Location/ Distribution
Housing Development Department	17.0	11	211	Class D	Kampong Rimba, Lambak Kanan & Kg Pandan
Public Work Department	28.2	26	300	Class C, D and E	Kampong Katok A and B Gadong

### Loan Approval Based on Banks (January 2001 - March 2002)

Bank	No. of loans approved	Loan Amount
Baiduri	21	\$8,519,883.00
HSBC	19	\$ 4,509,160.00
IBB	18	\$ 4,068,000.00
IDBB	8	\$ 2,331,000.00
UOB	1	\$ 510,000.00
<b>Total</b>	<b>67</b>	<b>\$19,938,043.00</b>

### Loan Distribution According to Sectors (January 2001 - March 2002)

Sector	No. of Loans	Amount
Tourism	1	\$ 510,000
Manufacturing	1	\$100,000
Service	24	\$3,825,000
Commerce	7	\$ 830,000
Construction	16	\$5,593,438
Primary Resources	5	\$ 2,963,000
ICT	13	\$6,116,605
<b>JUMLAH</b>	<b>67</b>	<b>\$19,938,043</b>

- d. This scheme is open only to local SMEs, which are defined as companies that have fixed assets not exceeding BND 5 million (book value) and /or have a maximum of 100 employees.

To facilitate a rapid recovery of the economy, the Working Credit Fund is made available to SMEs in all sectors of the economy. Priority, nevertheless are given to promoted activities, such as construction including low cost Resettlement Housing, Info-communication and technology, hospitality and tourism infrastructure, human resource development, manufacturing and primary industry sectors.

Nine local banks initially made pledges to participate in the scheme. However, in actual implementation five banks are active in providing loans to small and medium enterprises. These are Baiduri Bank, Hong Kong and Shanghai Bank Corporation, Islamic Bank of Brunei, Islamic Development Bank of Brunei and Overseas Union Bank.

The response of entrepreneurs to the scheme has been very encouraging. Up to March 2002, The Department of Economic Planning and Development has approved 67 applications from various sectors of the economy valued at BND 19,938,043. Of these 23 applications valued at BND 3,825,000 are for projects in the services sectors, 16 projects amounting BND 5,593,438 are in the construction sectors, 13 projects valued at BND 6,116,605 in Info-Communication and Technology sector, 7 projects valued at BND 830,000 in commercial sector, 6 projects valued at BND 2,963,000 in the primary resources sector, 1 project valued at BND 100,000 in manufacturing sector and 1 project valued at BND 510,000 in tourism sector. These loans are backed by guarantee from the Government.

About 61 % of the loans approved so far in this scheme went to fully bumiputra companies, 15 % to wholly Bruneian companies, 12 % to local Bruneian and bumiputra joint-venture firms, 11 % to bumiputra and foreign joint-ventures, and 1.5 % to joint Bruneian - foreign enterprises.

The scheme has been successful and has provided much needed financial assistance to many local entrepreneurs to revive and strengthen their operations.

#### **BND 2.9 million for Tourism infrastructures**

The projects were timely particularly in promoting the Visit Brunei Year 2001. The projects have always been part of the continuous effort by the Government to upgrade and provide tourism related facilities throughout the country with a view to enhancing tourism industry.

In the first phase, 25 small scale tourism infrastructure projects amounting to BND 2.9 millions were awarded to 13 local construction companies. The projects involved construction of 11 new facilities and upgrading of 14 existing infrastructures. The construction works began in January 2001 and projects were handed over to client departments after completion before middle of 2001.

Overall, the implementation of the first phase of the projects were successfully carried-out as planned and had benefited the economy in the form of employment opportunities, development of local entrepreneurs, provision of basic tourism facilities, usage of natural resources, environment enhancement and balanced inter-district development.

#### **BND 3 million for HRD and Employment**

To provide HRD training in the hospitality and tourism industry for the APEC 2000 summit and Brunei Visit Year 2001. The project trained 932 local job seekers. Overall, around 20 companies from the hotel industries were involved in this projects. The training programme started in September 2000 and completed in November 2000.

## **THE NEXT PHASE OF THE SHORT TERM ECONOMIC RECOVERY PLAN**

The Department of Economic Planning and Development, Prime Minister's Office has announced the launch of the next phase of the BND 200 million Short Term Economic Recovery Plan on 19th February 2002.

The following projects have been identified for the remaining budget allocation of BND 115 million:

### **BND 31 million for Public Housing**

The second phase of the Housing Development project under the extended Short Term Economic Recovery Plan will be implemented by the Public Work's Department. Some of the tenders for this project would be opened early May 2002. A total of BND 31 millions is allocated for the construction of 250 houses whereby 44 of the houses are to be built at Kg Katok A & B and the other 206 houses are to be built at Kampong Sungai Buloh.

### **Computer for Schools and BruNet Expansion project**

To complement the Computer for Schools and BruNet Expansion project, through the upgrading of internet and info communication technology training in all schools and educational institutions.

### **BND 30 million for SME Working Capital Credit Fund**

The Department of Economic Planning and Development has been given approval to implement a second phase of the programme to provide SMEs access to loans for their projects.

This fund will continue providing financial assistance to local SMEs. The scheme is undergoing a review with the aim of further improving the mechanism with the participating Banks.

### **BND 13 million for Tourism infrastructures**

Continue with works on new construction of additional tourism facilities and to contribute towards the development of tourism and hospitality industry. It is expected to generate wider economic activities and to encourage more local small and medium enterprises to participate in developing the industry.

### **BND 3 million for HRD and Employment**

To continue the promotion of the tourism and hospitality industry training by widening its scope through the inclusion of other sectors such as by improving and upgrading the Info Communication Technology (ICT) skills of both job seekers and those currently in the labour force.

### **BND 31 million for Maintenance Scheme**

Maintenance projects on Government buildings, compounds and assets, which are targeted mainly at small and medium enterprises. The aforementioned projects are for the improvement and maintenance of schools, public housing and Government departments. Around 312 projects have been identified whereby 185 projects have already been tendered out. Part of the projects will be awarded on a quotation basis according to the size and cost of the project and the rest will be awarded through open tender. One of the main objectives for both types of awarding mechanism are to provide opportunities to as many local small and medium enterprises as possible to participate.

## REPORTS ON CAR SALES

In the first issue of Brunei Economic Bulletin, it is reported that The Department of Economic Planning and Development has introduced a new formula of fixing the maximum prices at which the automobile dealers can sell their respective cars.

The practice of issuing 'approved pricing for new vehicles' to car dealers have been through many years through the Economic Planning Unit, Ministry of Finance (now the Department of Economic Planning and Development, Prime Minister's Office). The mechanism for formulating the approved pricing was no different except now it is being done more rigorously and more transparently.

Apart from protecting the customers' interests by curbing the unnecessary high costs charged by the dealers on the operating expenses, the formula is designed to stimulate car sales through building customers' confidence.

The statistics recorded by Land Transport Department as shown below indicated that there was a big increase in sales of vehicles in December 2001 compare to November 2001, that is from 324 to 810 cars which is about 150% increase. However the monthly sales for January and February 2002 declined to 790 and 775 units respectively. The reasons of decline was due to car dealers inability to meet the demand for some car models, for which there are now a long waiting list of buyers. Another factor contributing to the decline was dealers' refusal to sell their cars to customers because they considered the approved prices were so low despite consensus on the pricing formula reached by the Department and the Brunei Automobile Trading Association. This means that the sale's figures could be significantly higher than recorded. However the sales began to pick up in Mac 2002 to 879 units and therefore, sales outlook is going to be much better in the future.

Buyers are advised to insist on being shown the approved prices from dealers and observe the effective dates, when 'shopping' for a new car.

### NUMBER OF REGISTERED VEHICLES \*

Year \ Month	JAN	FEB	MAC	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
1999	497	417	409	414	427	441	509	449	606	447	405	402
2000	300	371	420	397	477	479	461	526	473	395	434	661
2001	387	430	414	398	408	351	390	411	443	407	324	810
2002	790	775	879									

**Note:**

\* The numbers exclude self-import.



## ASEAN Free Trade Area (AFTA)

- ◆ It was at the 4<sup>th</sup> ASEAN Summit in Singapore (1992) when the Leaders announced their goal to achieve a free trade area in ASEAN within 15 years.
- ◆ AFTA was thus established to eliminate tariff barriers among the Southeast Asian countries with a view to integrating the ASEAN economies into a single production base and creating a regional market of 500 million people.
- ◆ Objectives of AFTA :-
  - Increase Intra-ASEAN Trade
  - Attract More Foreign Direct Investment
  - Make the region a Globally-Competitive Production Base

### Time Frame & Coverage

- ◆ The 4<sup>th</sup> ASEAN Summit originally targeted AFTA to be realized by 2008.
- ◆ But the 6<sup>th</sup> ASEAN Summit (held in 1998) accelerated the timeframe to 2002.
- ◆ All manufactured and agricultural products (processed or unprocessed) are included.
- ◆ Products must have 40% ASEAN content to enjoy tariff preferences.

### BRUNEI DARUSSALAM'S CEPT / AFTA OBLIGATION

Enacted under the Customs Act (Chapter 36) :

- ◆ Customs (ASEAN Common Effective Preferential Tariff) Order, 1999 Effective 1<sup>st</sup> January 1999
- ◆ Customs (ASEAN Common Effective Preferential Tariff) Order, 1994 Effective 1<sup>st</sup> June 1994

### BRUNEI DARUSSALAM'S CEPT COMMITMENT AND PROGRESS

- ◆ 6,276 tariff lines are in the Inclusion List for tariff reductions programme ;
- ◆ 6,260 tariff lines (99.7%) would be with tariffs between 0-5% by the year 2002 ;
- ◆ 5,071 tariff lines (80.8%) will be without tariff by the year 2002 ;
- ◆ Average CEPT rate of 0.87% would be achieved by the year 2003 ;
- ◆ Will phase-in 14 tariff lines in the Unprocessed Agricultural Products (UAPs) in 2001 and 2003 ;
- ◆ Brunei Darussalam has no difficulty to achieving the acceleration package for CEPT / AFTA ;
- ◆ Phased- in all 208 tariff lines under the Temporary Exclusion List into the Inclusion List ;
- ◆ 202 tariff lines still in the General Exception List to protect national security, public moral, human, animal or plant life ;
- ◆ Will continue reviewing the GE list .

### BENEFITS OF CEPT / AFTA TO BRUNEI DARUSSALAM

- ◆ Create more trade opportunities within ASEAN ;
- ◆ Enhance the development of joint-venture activity
- ◆ Lower cost of sourcing for raw materials ;
- ◆ Larger market access ;
- ◆ Common lower tariff rates ;

### Benefiting from AFTA

Companies can benefit from AFTA by :

- ◆ Being able to source imported inputs at lower costs because of the reduction in intra-ASEAN tariffs ;
- ◆ Being able to export to other ASEAN countries and facing tariffs no higher than 5 per cent and in most cases at 0 per cent.

**POTENTIAL SECTORS**

- ◆ Petrochemicals;
- ◆ Furniture;
- ◆ Electrical and Electronic (Including Computers);
- ◆ Pharmaceuticals;
- ◆ Food Processing;
- ◆ Agriculture and Fishery.

**Business in Brunei Darussalam shall put emphasis to :**

- ◆ Enhancing efficiency and productivity;
- ◆ Enhancing distribution and marketing;
- ◆ Utilizing economies of scale;
- ◆ Enhancing incentives and promotion of local products in ASEAN market;
- ◆ Develop human resources, particularly skills and expertise.

**AFTA - CER Closer Economic Partnership****Background**

- ◆ At the 5<sup>th</sup> ASEAN Economic Ministers – Closer Economic Relation Consultations (AEM-CER) in 2000, ASEAN and CER Ministers agreed to work towards a Closer Economic Partnership (CEP) taking into account recommendations of the High Level Task Force on the AFTA-CER Free Trade Area and other issues related to closer economic integration of ASEAN-CER countries ;
- ◆ At the 6<sup>th</sup> AEM-CER Consultations in 2001, Ministers endorsed the Framework for the AFTA-CER CEP with the goals of broaden and deepens cooperation in all economic fields and promoting greater trade and investment flows through minimization of impediments, reduction of transaction costs and related capacity-building ;
- ◆ Currently, the ASEAN-CER Experts Group on CEP is finalizing the draft Ministerial Declaration, the instrument to formalize the AFTA-CER CEP. It is expected that the Ministerial Declaration will be adopted at 7<sup>th</sup> AEM-CER consultations in Brunei Darussalam in September 2002 ;
- ◆ Five fields of cooperation have been identified under the CEP :-
  - i. Trade and investment facilitation ;
  - ii. Capacity building ;
  - iii. Trade and investment promotion ;
  - iv. New Economy ; and
  - v. Other areas of cooperation ;
- ◆ Various activities have been planned to implement the initial CEP work programme, which include technical barriers and non-tariff barriers, customs cooperation, capacity building, trade and investment promotion and facilitation, standards and conformance assessment, electronic commerce and small and medium enterprises.
- ◆ Ministers also agreed to establish an AFTA-CER Business Council, comprising of high-level business representatives to provide the AEM-CER Ministers with advice on the scope and implementation of the AFTA-CER CEP Agenda and other business priorities. The Council will have the opportunity to report on their activities and to exchange view with the Ministers.
- ◆ An enhanced AFTA-CER relation would strengthen the international bargaining position of both regions and send a positive signal to investors regarding both regions' commitment to continuing liberalizations and closer cooperation to tackle the emerging challenges posed by globalization such as the proliferation of regional trading arrangements around the world and competition from other countries and regions.

## ATTRACTIVE INCENTIVES PACKAGES TO PROMOTE THE DEVELOPMENT OF PIONEER, EXPORT ORIENTED AND HIGH TECH SERVICES AND MANUFACTURING INDUSTRIES

### Summary Column

#### **Investment Incentives Order, 2001**

- ◆ The old Investment Incentives Act (Cap 97) is being replaced (repealed) by this Order .
- ◆ Anything done under the Investment Incentives Act (repealed by this order) shall continue to be in full force under this order.
- ◆ To encourage the diversification of the economic activities by providing a broad tax based incentives and facilitation measures to promoted activities .
- ◆ Encourage new investment and reinvestment activities to upgrade technology, undertake research and development, increase production capacities and expand markets.
- ◆ Tax based incentives:
  - a. Relief from corporate tax;
  - b. Concessionary tax;
  - c. Relief from import duties on capital goods and raw materials;
  - d. Investment allowance on fixed capital expenditure;
  - e. Exemption from withholding tax on interest remitted to overseas lenders.

#### **Income tax (Amendment) Order, 2001**

- ✓ Carry forward of loss and unabsorbed allowances:-
  - a. Carry forward of unabsorbed losses for 6 years and can be set off against future income
  - b. Balance of any allowance which remains unabsorbed can be made available after the tax relief period but must be set off against income from the same trade
- ✓ Certain dividends exempted from income tax:-
  - a. Dividend distributed by a company during tax relief period may be exempted from tax in the hand of the shareholders
- ✓ Double Taxation Agreement:-
  - a. Exemption from double taxation exists with the United Kingdom and Indonesia

As part of the initiative to modernize the legal framework and as an effort to foster conducive environment for the development of economic activities, the Economic Planning and Development Department has reviewed several Acts and introduce a new law governing the development of industrial activities.

Two of the Orders namely Investment Incentives Order, 2001 and Income Tax, (Amendment) Order 2001 have been reviewed with the objective of enhancing the attractiveness of the incentive packages to business. The Investment Incentives Order 2001 combine two major features that improve effectiveness of the investment incentives. Firstly it transfers the authority of the Order to the Minister Responsible for Industrial Development, the approving authority responsible for licensing manufacturing activities. Secondly it offers generous tax based incentives with longer corporate tax relief period to promote the development of a broad range of activities namely pioneer enterprises with special emphasis on high tech industries, export oriented manufacturing and services industries. Other priority activities are research and development activities, transshipment activities, activities that support the introduction of new technology into Brunei Darussalam and regionalisation of local companies such as venture capital activities, overseas investment companies and new technology companies. Promoted activity such as tourism projects are also provided with generous investment allowances to boost new capital expenditure and reinvestment activities.

The Order also exempt pioneer and export oriented enterprises from customs duties for importing of raw materials and capital goods thus further lowering the enterprises cost of doing business. To encourage inflow of capital into Brunei Darussalam, the Order also provides exemption from withholding tax on interest remitted to approved foreign lender.

For companies that are no longer eligible to apply for incentives under the Investment Incentive Order, 2001 it may do so under the Income Tax (Amendments) Order, 2001. In line with the Government objectives to develop competitive export oriented industries and Research and Development activities in the private sector, this Order offers amongst others double deduction on expenses for export promotion and research and development activities and an underwriting allowances for the cost of buying patent information.

To inform the public on the available enhanced investment incentives under this Order, The Department of Economic Planning and Development and the Ministry of Industry and Primary Resources will conduct a road show soon to various Chamber of Commerce and relevant agencies in the private sector.

## INDUSTRIAL COORDINATION ORDER, 2001 STREAMLINING THE REGULATION OF THE MANUFACTURING INDUSTRIES

### **Industrial Coordination Order**

- ◆ Economic activities including manufacturing activities are regulated through issuance miscellaneous license under the Miscellaneous License Act
- ◆ Schedule of activities licensed under Miscellaneous License Act are:
  - ✓ Retail Shop, Timber Store and Furniture Factories, Workshop, Motor Vehicle Dealer, Patrol Station including places for storing petrol and inflammable materials, Coffee Shop, Eating House, Boarding House or other Places of Public Resort and Entertainment and Hawkers
- ◆ 3 Authorities issuing Miscellaneous License:
  - ✓ Economic Development Board
  - ✓ Municipal Board
  - ✓ Licensing Board ( District Offices )
- ◆ Two channels for Processing and approving manufacturing License namely
  - ✓ Brunei Industrial Development Authority
  - ✓ Other Licensing Board

Another significant Order, which has been passed, is the Industrial Coordination Order, 2001. This Order is designed to provide for the coordination and orderly development of manufacturing activities in Brunei Darussalam through licensing.

The Order opens up two avenues to the administering authority. Firstly to regulate the approval and operation of all manufacturing activities. Secondly enabling the Government of His Majesty to streamline rules and procedures necessary to speed up the approval of manufacturing activities and its implementation plan. A feature that will be welcome by the business community.

This is made possible as the Order empowers the Minister responsible for industrial development to make rules and regulation pertaining to this Act that may reflect the interest of relevant government agencies who advises the Minister through the Advisory Council set up under this Order

## WEIGHTS AND MEASURES ACT

The Weights and Measures Section of Department of Economic Planning and Development (DEPD) is responsible for enforcing Weights and Measures Act, 1986 (CAP.151).

Every weight and measure equipments for weighing and measuring used for trade shall be verified and stamped with a stamp of verification under the Act. Stamping and calibration can be done internally whereby weight and measure equipment sent by the owner to the nearest Weight and Measure Offices and also externally for heavy duty weighing equipments such as weighbridge, asphalt plant and batching plant.

In the wake of consumer awareness, weights and measures equipments are under scrutiny by the public. In regulating weight and measure equipments, the inspector from Weights and Measures Section conducts surprise checks on shops and business premises using such equipment to ensure that they are licensed and/or their licensed renewed. The inspector who ensures all packed products display weight of content in matrix on each packages.

Any person found using or has in his possession for use for trade any weight and measure equipments without license shall be guilty of an offence:

- ◆ for using weight and measure equipment without verification and stamp: **Penalty, a fine \$1,000.00 or imprisonment for three months, or to both such fine and imprisonment and the said weight and measure equipments for weighing and measuring liable to be forfeited and any contract, bargain, sale or dealing made by such weight and measure equipment for weighing and measuring shall be void;**
- ◆ use false or unjust weighing or measuring equipment: **Penalty, a fine of \$1,000 and to imprisonment for six months and weighing and measuring equipment liable to be forfeited;**
- ◆ any fraud committed in connection with the use or purported use: **Penalty, a fine of \$1,000 and to imprisonment for six months and weighing and measuring equipment liable to be forfeited;**
- ◆ any fraud committed in weight, measurement or quantity corresponds with the price charged: **Penalty, a fine of \$1,000 and to imprisonment for six months;**
- ◆ make any misrepresentation either by word of mouth or otherwise as the quantity of goods or does any other act calculated to mislead: **Penalty, a fine of \$300 and to imprisonment for six months.**

Any enquiries or complaint regarding weights and measures for weighing and measuring equipment used for trade by shops or individual can be made to these numbers 236238 or 244660 during office hours.

## Miscellaneous

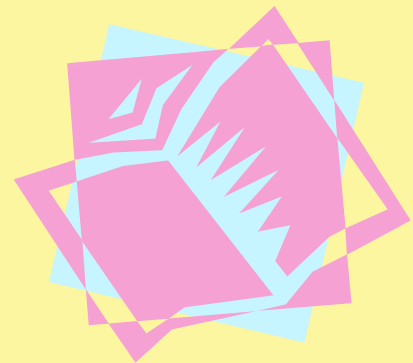


### HOTLINE TO DEPARTMENT OF ECONOMIC PLANNING AND DEVELOPMENT

- The Department of Economic Planning and Development (DEPD), Prime Minister's Office has set up a hotline for the public to make any inquiries complaints, and comments, regarding prices, sales activities and promotion carried out by the Implementation and Monitoring Department of this Department.
- The hotline number is **451892** and it is located at the Department of Economic Planning and Development Headquarters in Jalan Pengiran Babu Raja, Beribi, Gadong BE 1118. The hotline operates **during office hours**.
- With this initiative, it is hoped that DEPD can provide and maintain quality assurance services for the public.

### WHAT'S IN THE NEXT ISSUE

1. 2002, 2nd Quarter Economic Review;
2. 2001, Short term recovery measures – reviews and new projects; and
3. 8th NDP – 2nd quarters /Project implementations.



***The Editors Welcome any comments and suggestions from readers through:-***

**THE EDITOR  
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