

COUNTRY PROFILE:**BRUNEI DARUSSALAM**

PROC IES/02: ATTACHMENT A

DATED:**APRIL 2008****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	1A	No restrictions

Recent Political Highlights

- ❑ Under Brunei's 1959 constitution, the Sultan is the head of state with full executive authority, including emergency powers since 1962. The Sultan is assisted and advised by five councils, which he appoints.
- ❑ The chief of state is Sultan and Prime Minister Sir Hassan al Bolkiah Muizaddin Waddaulah. The country is an absolute monarchy without political parties and there are no presidential elections as the monarchy is hereditary.

Recent Economic Highlights

- ❑ Brunei Darussalam is a small, relatively open economy that has intensified its participation in regional trade. According to a report by the World Trade Organisation, in several trade related areas- notably customs procedures, telecommunications and standards- Brunei has made significant improvements to its regulatory framework.
- ❑ The country owes its prosperity to its abundant petroleum (oil and gas), which accounts for about 69% of GDP, 96% of exports, 94% of government revenue and 74% of investments. Brunei is the fourth-largest oil producer in Southeast Asia, averaging about 219,000 barrels a day. This leaves Brunei vulnerable to external shocks, particularly given the prospect of an eventual depletion of these resources over the next couple of decades. Experts have estimated the country's oil reserves to last another 25 years while gas reserves are predicted to be enough for 40 years.
- ❑ The government faces a challenge of encouraging economic diversification, mainly in manufacturing and services sectors. Despite the provision of incentives for the private sector success in achieving this goal, progress so far has been slow.
- ❑ Royal Dutch Shell Plc and Total SA may have to find more gas in Brunei to extend liquefied natural gas (LNG) supplies to Asian customers. Sales contracts to Japan and South Korea expire in 2013. Dwindling gas discoveries in Southeast Asia may stall contract renewals by plants that supply a third of the world's LNG. Brunei is the tenth-largest producer of LNG, down six places from 2000.
- ❑ Gross agricultural production increased to \$199 million from \$172 million in 2006. The poultry industry made the biggest contribution at \$81.21 million with a 16.7% surge compared to the previous year. The agriculture department said that Brunei is planning to export poultry and chicken eggs to Singapore when its self-sufficiency for poultry and eggs has reached 95 and 99% respectively. Crop production surged from \$32.02 million in 2006 to \$35.77 million in 2007. The sector with the most potential for development is food processing.
- ❑ When the Minister of Energy suggested the need at the beginning of this year for fuel pump prices in Brunei to be more realistic, in order to curb usage to more sustainable levels, there was an uneasy realisation amongst many Bruneians that it might be the beginning of an end to the seemingly unending perks of an oil rich country. While overseas fuel stations display fluctuating fuel prices, Brunei's pump stations have always displayed \$0.53 per litre of petrol and \$0.31 for diesel. The government also wants its citizens to change their lifestyles and prepare for a future when their oil and gas reserves are exhausted.

Latest Trade Developments

- ❑ Main exports: crude oil, natural gas, refined products and clothing.
- ❑ Main imports: machinery and transport equipment, manufactured goods, food and chemicals.
- ❑ Major trade partners: Singapore, Malaysia, UK, Japan, China, Thailand, South Korea and Australia.
- ❑ South African exports to Brunei totalled R13.3m in 2006 and R14m in 2007.
- ❑ Major business organisations of Myanmar and Brunei have reached a memorandum of understanding on promoting trade ties between the two countries especially in Myanmar's gems, jade and jewellery. China is keen and ready to forge ties with Brunei in agriculture, fisheries, tourism as well as sea links and air links.

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