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TRADE POLICY REVIEW

REPORT BY

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Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Brunei Darussalam is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Brunei Darussalam.

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1 GENERAL POLICY STATEMENT

1.1. Brunei Darussalam remains committed to strengthening the rules-based, transparent, non-discriminatory, open, and inclusive multilateral trading system as enshrined in the principles and values of the WTO, and welcomes the progress made in the Doha Development Agenda (DDA) process, in particular the adoption of the Bali package.

1.2. In realising its international commitments, Brunei Darussalam has undergone various changes since the last trade policy review in 2008, including the establishment of new agencies/bodies and the enactment and amendment of legislation pertaining to, among others, intellectual property rights and the harmonisation of standards. Additionally, Brunei Darussalam continues to pursue free trade policies aimed at promoting sustainable and inclusive economic growth and has implemented various programmes as a means to facilitate trade liberalisation and, at the same time, diversify its economy, including in the development of Small Medium Enterprises (SMEs).

1.3. On January 2008, Brunei Darussalam launched the Brunei Darussalam Long-Term Development Plan, Wawasan 2035 or National Vision 2035 which would guide Brunei Darussalam for the next 25 years and will require not only effective administrative measures but also strong participation by the private sector. By 2035, Brunei Darussalam as a nation aims to be recognised for the accomplishment of its educated and highly skilled people as measured by the highest international standards; quality of life that is among the top ten nations in the world; and a dynamic and sustainable economy with income per capita within the top ten countries in the world.

1.4. Under the Vision 2035, Brunei Darussalam has identified 8 strategies with reference to different dimensions of development, conceptualised as follows:

- Education strategy to prepare the youth for employment and achievement in a world that is increasingly competitive and knowledge-based.
- Economic strategy is to create new employment for the people and expand business opportunities within Brunei Darussalam through the promotion of investment (foreign and domestic) both in downstream industries as well as in economic clusters beyond the oil and gas industry.
- Security strategy is to safeguard political stability and sovereignty as a nation and link our defence and diplomatic capabilities and our capacity to respond to threats from disease and natural catastrophe.
- Institutional development strategy is to enhance good governance in both the public and private sectors, high quality public services, modern and pragmatic legal and regulatory frameworks and efficient government procedures that entail a minimum of bureaucratic "red tapes".
- Local business development strategy is to opportunities for local Small and Medium-sized Enterprises (SMEs) as well as enable Brunei Malays to achieve leadership in business and industry by developing greater competitive strength.
- Infrastructure Development Strategy is to ensure continued investment by the Government through public-private sector partnership in developing and maintaining world-class infrastructure with special emphasis placed on education, health and industry.
- Social security strategy is to ensure that, as the national prospers, all citizens are properly cared for.
- Environment strategy is to ensure the proper conservation of our natural environment and cultural habitat. It will provide health and safety in line with the highest international practices.

1.5. The economic strategy in particular, is guided by the following policy directions towards achieving the Wawasan 2035:

- Ensuring continued macroeconomic stability
- Ensuring continuously high rates of economic growth so that jobs are always available for youths entering the labour market each year.
- Creating a strong capital market, including the Islamic bond market (sukuk), to help finance economic growth
- Promoting national economic competitiveness through policies that encourage productivity, economic openness and competition.
- Investing in downstream industries and other economic clusters selected on the basis of Brunei Darussalam's competitive strengths, export potential and employment opportunities for local people.
- Investing in the world class infrastructure that is required to attract foreign and domestic investment in new export industries.
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- Developing an energy policy that accords proper priority to our oil and gas industry while giving due consideration to the need to create new industries through downstream diversification.
- Privatising those services currently provided by the public sector that are best undertaken by the private sector.
- Developing the expertise and skills required by commerce and industry through investment in our educational institutions; in research and development; and through collaboration with business.
- Promoting international economic cooperation, bilaterally and multilaterally.
- Encouraging equal opportunities for women in the work force and in nation building.

1.6. Towards this end, a Vision 2035 Executive Council (Majlis Tertinggi Wawasan 2035) was set up in July 2014, to intensively and systematically assist the efforts of various government agencies in realising the Vision's goals, as well as to ensure that the strategies and policies contained under the the National Development Plan(s) are consistent with the Vision and coordinated at the highest level. The Vision 2035 Executive Council is assisted by the National Development Plan Executive Committee and the Delivery Unit or PENGGERAK from the Prime Ministers Office in carrying out its role.

2 INSTITUTIONAL FRAMEWORK

2.1. Within the past 6 years, Brunei Darussalam has enacted new and amended existing legislation to facilitate and promote trade and investment in the country, including the Patents Order 2011 on intellectual property rights and the Autoriti Monetari Brunei Darussalam (AMBD) Order 2010 on the financial sector. Brunei Darussalam has also become party to a number of international conventions.

3 INTERNATIONAL TRADE RELATIONS

3.1 International organisations

3.1. As a member of the Asia-Europe Meeting (ASEM) and the Asia Pacific Economic Cooperation (APEC) forums that hold informal consultations on WTO matters, Brunei Darussalam welcomed the commitment made by Leaders at the 10th ASEM Summit in October 2014 to undertake efforts to put all the Bali Decisions back on track to ensure the successful conclusion of the WTO Doha Round and; Brunei Darussalam also welcomed the pledge made at the 21st APEC Economic Leaders' Meeting in October 2013 to further curb protectionism through the WTO and other international organizations due to its impact on weakening trade and slowing down the global economic recovery. The Leaders issued a stand-alone statement entitled "Supporting the Multilateral Trading System and the 9th Ministerial Conference of the World Trade Organization" that amongst others, reaffirmed the commitment to build on the Bali package to achieve the full conclusion of the DDA.

3.2 Regional efforts

3.2. Brunei Darussalam continues to support ASEAN's efforts particularly to establish the ASEAN Community by 2015. In 2013, ASEAN Leaders issued the Bandar Seri Begawan Declaration which tasked the ASEAN Community Councils under the 3 pillars to expedite their work on developing the ASEAN Community's post-2015 vision.

3.3. At the sub-regional level, Brunei Darussalam, as a member of the Brunei Darussalam-Indonesia-Malaysia-Philippines – East ASEAN Growth Area (BIMP-EAGA), continues to engage in BIMP-EAGA cooperation which are now streamlined into four pillars; (i) enhancing connectivity within BIMP-EAGA as well as with other regions outside of BIMP-EAGA; (ii) establishing BIMP-EAGA as the food basket for ASEAN and the rest of Asia; (iii) promoting BIMP-EAGA as a premier regional tourism destination; and (iv) ensuring the sustainable management of the environment. In order to ensure BIMP-EAGA's objective to increase economic cooperation, trade, investment and tourism in the sub-region is fully achieved, the Implementation Blueprint was undertaken BIMP-EAGA Leaders endorsed the Implementation Blueprint to guide these strategic cooperation over the 5 year period, 2012-2016.

3.3 Free Trade Agreements

3.4. Brunei Darussalam continues to actively participate in regional economic forums as a means to work with partners to advance multilateral trade liberalization. Within the framework of ASEAN, Brunei Darussalam continues to work closely with its partners to promote regional trade liberalisation, including on finalising ASEAN Free Trade Agreements (FTAs) with its dialogue partners.

3.5. Brunei-Japan Economic Partnership Agreement (BJEPA) is remains Brunei Darussalam's first and only bilateral free trade agreement.

3.6. Within the framework of ASEAN, Brunei is engaged in a number of FTAs with ASEAN's dialogue partners. The latest FTA under negotiation is the ASEAN-Hong Kong Free Trade Agreement (AHKFTA) which commenced in July 2014. The scope for the FTA include: (i) Trade in Goods and related issues such as tariffs, rules of origin, non-tariff measures, customs procedures and trade facilitation, trade remedies, technical barriers to trade and Sanitary and Phytosanitary measures; (ii) Trade in Services; (iii) Intellectual Property Rights; (iv) Dispute Settlement; (v) Horizontal and Institutional Issues; (vi) Economic and Technical Cooperation; and (vii) other areas of interest to be mutually agreed upon. In addition, a stand-alone investment agreement will be negotiated as well.

3.7. ASEAN is also looking at ways to enhance the existing FTAs. One of it is ASEAN-China FTA where both sides recognized the importance of the FTA in (i) contributing to deepening and broadening ASEAN-China economic relations to make the ACFTA more responsive to regional and global challenges, including the emerging regional architecture, and (ii) significantly contribute to the expansion of ASEAN-China bilateral trade, including meeting the goal to achieve bilateral trade of US\$1 trillion by 2020. The elements that are being considered for negotiation are (i) trade in

goods: rules of origin and tariff reduction phase/elimination for products under Sensitive Track; (ii) trade in services: third package of commitments; and (iii) investment: to include the 4 pillars of liberalization, facilitation, promotion and protection.

3.8. Under the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation, the ASEAN-India Trade in Goods (TIG) Agreement was signed on 13 August 2009 and paves the way for the creation of one of the world's largest free trade areas (FTA) with a market of almost 1.8 billion people and a combined GDP of US\$2.75 trillion. It entered into force on 1 January 2010. The negotiations on the ASEAN-India Trade in Services and Investment agreements were completed in 2012, and are expected to be signed and entered into force in 2014.

3.9. Brunei Darussalam is also involved in the Regional Comprehensive Economic Partnership (RCEP), a 16-Party FTA amongst the 10 ASEAN Member States and its FTA Partners, namely, Australia, China, India, Japan, Republic of Korea and New Zealand. The negotiations for RCEP was launched by ASEAN + 6 Leaders on 20 November 2012 at the sidelines of the 21st ASEAN Summit in Phnom Penh, Cambodia, by which it aims to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement, which would built upon existing economic linkages amongst participating countries. The scope for RCEP, among others, encompasses trade in goods, trade in services, investment, intellectual property rights, competition and economic and technical cooperation. Negotiations are currently ongoing, and are targeted to conclude by the end of 2015.

3.10. As the signatories to the Trans-Pacific Strategic Economic Partnership Agreement, Brunei is involved in the negotiations for the Trans-Pacific Partnership (TPP) Agreement, together with Australia, Canada, Japan, Malaysia, Mexico, Peru, the United States of America and Viet Nam. The TPP is aimed at achieving a plurilateral '21st century' free trade agreement that will further liberalise and integrate the economies of the Asia-Pacific. The TPP involves disciplines on areas such as the Environment, Government Procurement and Labour, amongst others. The scope also encompasses new 'cross-cutting issues' not previously included in other FTAs, such as Development, Regulatory Consistency, Competitiveness and State-Owned Enterprises, making the TPP the most comprehensive agreement that Brunei Darussalam is currently negotiating in. upon completion, the TPP would provide Brunei Darussalam with access to markets such as the United States, Canada, Mexico and Peru.

3.11. Negotiations for the TPP is expected to be completed in 2014, and the countries involved in the negotiations hope that the TPP will present a pathway to the eventual realisation of the APEC goal to realise a 'Free Trade Area in the Asia-Pacific' (FTAAP).

4 MACROECONOMIC ENVIRONMENT

4.1. Since Brunei Darussalam's last review in 2008, the economy grew by an average rate of 0.6 per cent between 2008 and 2013. The years of 2008, 2009 and 2013 saw negative growth rates of -1.9, -1.8 and -1.8 respectively. This was mainly due to the fall in export demand. In 2008 and 2009, the demand shortfall was due to the global credit crunch crisis. The economy recovered in the following three years with growth rates of 2.6 per cent, 3.4 per cent and 0.9 per cent, respectively. In 2013, nominal GDP was BND21.2 billion (about USD16.2 billion). Personal consumption and capital formation were the main growth drivers between 2008 and 2013. However, the investment share of GDP was still low, averaging 14.9 per cent during the six-year period. The oil and gas sector remained the largest sector contributing an average of 65.1 per cent to nominal GDP.

4.2. The country's overall fiscal position was good with surpluses registered in each of the calendar years from 2008 to 2012. Despite economic growth being negative for that year, the highest fiscal surplus was recorded in 2008 at 40.0 per cent of GDP. This was mainly attributed to the high oil price and the relatively strong USD. The following year recorded the lowest fiscal surplus at 3.9 per cent which was due to a combination of lower export demand, as well as falling oil price and a weakening Dollar. In 2012, the fiscal balance was 19.3 per cent of GDP. Even though fiscal revenues have been high, the revenue base was very narrow with the oil and gas revenues averaging around 91.1 per cent of total revenues. In terms of expenditures, about 76.2 per cent of the total spending was current in nature. In comparison, capital outlays averaged at 23.8 per cent. Public debt has remained low, averaging at 1.7 per cent of GDP.

5 TRADE POLICY FRAMEWORK

5.1 INVESTMENT

5.1. Various incentives have been implemented through the amendment of the Income Tax Act Order, Chapter 35 to foster the development of small and medium such as reduction in corporate tax rate; grant exemption for new companies during the first 3 consecutive years; introduction of tax threshold; accelerated capital allowance is available (rates differ for different usage); introduction of special regime for exporters; tax credit is allowable and; e-services for taxpayer is fully operational.

5.2. Apart from this, Brunei Darussalam is continues to actively pursue Avoidance of Double Taxation Agreements (ADTAs) in which the Government of Brunei Darussalam has signed 16 ADTAs . Brunei Darussalam has also concluded and signed 8 Bilateral Investment Treaties (BITs) with Bahrain, China, India, Germany, Korea, Kuwait Oman and Ukraine. These BITs facilitate and protect investments made by international investors. The Government of Brunei Darussalam is committed to the implementation of the internationally agreed and accepted tax information exchange standards set by the Organisation for Economic Cooperation and Development (OECD). Brunei Darussalam is a member of Global Forum on Transparency and Exchange of Information for tax purposes and has signed 10 Tax Information Exchange Agreements with Australia, Canada, Denmark, The Faroes, Finland, France, Greenland, Iceland, Nordic Countries, Norway and Sweden.

5.3. In order to coordinate the work process related to the establishment and registration of companies and businesses as well as to create a conducive business climate to attract investment and business activities, the management and administration of Registrar of Companies and Business Names (ROCBN) at the Attorney General's Chambers was moved to the Ministry of Finance.

5.4. Part of the incentives introduced to enhance the ease of doing business and attract foreigners to set up companies in Brunei Darussalam is through the amendment of Companies Act, Chapter 39, where there are 2 or more directors, one of the two directors, or at least 2 of them shall be ordinary residents of Brunei Darussalam. Furthermore in 2013, the fee for the incorporation of new companies has been reduced to US\$300.00 regardless of the nominal share capital amount has been put in place administratively.

5.5. The Ministry of Finance newly-established an Investment Division to administer the Sustainability Fund, a Government trust fund established under the Sustainability Fund Act, 2008. The Sustainability Fund comprises of three Trust-Sub Funds namely the Fiscal Stabilisation Reserve Fund, the Retirement Fund and the Strategic Development Capital Fund. The objective of the establishment of the Sustainability Fund and of the Trust Sub-Funds is to ensure the long-term sustainability of the finances of the Government.

5.2 INTELLECTUAL PROPERTY RIGHTS

5.6. The Brunei Darussalam Intellectual Property Office (BruIPO) was set up on 1 June 2013 in line with the joint effort between The Brunei Economic Development Board (BEDB) and the Attorney General's Chambers (AGC) in the restructuring of the Intellectual Property (IP) administration in Brunei Darussalam. The restructuring began with the establishment of the Patent Registry Office (PRO) on 1 January 2012 under the BEDB, which was followed by the transfer of the Registry of Industrial Designs on 1 October 2012 and the Registry of Trademarks on 1 June 2013 respectively. Copyright advisory remains under the purview of the Attorney General's Chambers.

5.7. Currently, BruIPO administers various intellectual property rights legislation namely Patents Order, 2011; Patents Rules, 2012; Trade Marks Act (Cap 98); Trade Marks Rules, 2000; Industrial Designs Order, 1999 and; Industrial Designs Rules, 2000.

5.8. The BruIPO is currently working on the implementation of a Plant Variety Protection (PVP) system. The Draft Plant Variety Protection Order and Rules are at the advance stage of finalization and will be implemented in 2014. BruIPO will also look into the feasibility of joining other

international filing systems, which are administered by WIPO, namely the Madrid Protocol as part of Brunei Darussalam's commitments under the ASEAN Economic Community (AEC).

5.9. To enable IP to thrive, Brunei Darussalam intends to follow the footsteps of its ASEAN counterparts by setting up a full-fledged and independent IP Office in the near future. This move will enable the Office to expand, increase its capacity and enhance its services so that the country can reap the benefits from adequate IPR protection, which has been proven as a key economic tool for wealth creation.

5.3 STANDARDS

5.10. The National Standards Council (NSC) was set up in 2010 envisioned to act as a body that is responsible to strengthen and monitor the activities of standards and conformance in Brunei Darussalam, taking over the work which was previously held by The Authority for Building Control and Construction Industry (ABCI) at the Ministry of Development by phases until the end of 2014. Nonetheless, ABCI also manages the accreditation programme for testing and calibration laboratories to ISO 17025:2005 and promotes the recognition of certification and accreditation from ILAC/APLAC, IAF/PAC signatories. ABCI will still continue to facilitate and assist the standards and conformance activities of the construction sectors.

5.11. Chaired by the Ministry of Industry and Primary Resources and its members encompassing of multi-agencies across the government, industries and consumer interest is also envisaged to provide policy direction that will firm up the national initiatives so as to create industries that are able to stimulate sustainable economic growth. In its equivalence to support the growth of sustainable industry, factors such as to create and promote awareness on consumer safety and interest will also be the main focus of the council. At the moment, five Standards Committees have been successfully formed, namely in the sector of Construction, Halal, Food, Management Systems and Electrical. It is envisaged that for 2014, three other Standards Committees will be established, namely- Energy, Pharmacy and Medicines and Tourism and Handicraft.

5.12. Aside from being the Secretary to the NSC, the Centre is also upholding the duty to promote the adoptions of International Standards in the development of national standards (where applicable). One of the key initiatives that were launched by the Centre in 2013 was the launching of the National Standards Development Manual which is aimed to provide guidelines and reference for all of its Standards Committees. As of June 2014, there are a total of 83 National Standards also known as Piawai Brunei Darussalam (PBD) of which all are voluntary. Concurrently, to further strengthen the standards and conformance infrastructure in Brunei Darussalam, NSC is now in its progress to develop the National Standards Act of which will be finalised by 2015.

5.13. NSC through the Measurement Standards Division play key role as the custodian of the national measurement standards traceable to the International System of Units (SI). The establishment of Accreditation Division under the NSC also marked the important role in the handling and monitoring of accreditation activities in Brunei Darussalam. The Accreditation Division is tasked to provide accreditation services at a national level but prioritising on the demands and needs of the nation. Its legal entity as the national accreditation service provider is endorsed by the National Standards Council in April 2010. Currently, there are eight conformity assessment bodies registered under NSC and are still in the process of accepting new registration. Accreditation Division are offering three accreditation schemes: Management System Accreditation Scheme, Laboratory Accreditation Scheme and Inspection Bodies Accreditation Scheme. Other accreditation scheme will be considered according to needs and demands.

5.14. Future Plans for Metrology in Brunei Darussalam include: establish the National Metrology Committee under the National Standards Council; expand to other parameters, focusing on Mass & Weights, Pressure, Volume and Flow Metrology (short-term); move to a proposed 11 acres location and expansion for the Length & Dimension, Electrical, Time, Force Metrology Laboratory and Testing Laboratory for Product Testing, Environment & Packaging Testing (long-term); become a member to Asia Pacific Metrology Program (APMP) and Asia Pacific Legal Metrology Forum (APLMF) by 2014 as full member; be a member of other internationally recognised bodies such as International Organization of Legal Metrology (OIML) and International Bureau of Weights and Measures (BIPM) through their activities and presently, NSC is planning on drafting the National Measurement Act.

5.4 PROFESSIONAL SERVICES – ACCOUNTANCY

5.15. The Public Accountants Oversight Committee (PAOC) was formed under the Accountants Order, 2010. It is tasked to oversee the accountancy profession in Brunei Darussalam, particularly in registration, regulating and monitoring the practice and the quality of accountancy profession by Public Accountants in Brunei Darussalam. PAOC is working closely with various government agencies, national accountancy body, Brunei Darussalam Institute of Certified Public Accountants to encourage and support the development of accountancy profession, in Brunei Darussalam. PAOC, reports directly to Ministry of Finance, Brunei Darussalam as Authority of Accountants Order, is committed to the ASEAN Mutual Recognition Arrangement (MRA) in Accountancy which can help promote and facilitate movement of professional accountancy services, and assist in advancing the global mobility of professionals among the ASEAN member states.

5.5 GOVERNMENT LINKED COMPANIES

5.16. Darussalam Assets Sdn Bhd, a company incorporated in December 2012, is a government investment holding company whose objective is to consolidate ownership of the government-linked companies in Brunei Darussalam. It is wholly owned by the Government through the Minister for Finance Corporation. As centralised shareholder, its mission is to ensure the government-linked companies deliver sustainable, positive economic returns and value to Brunei Darussalam. The portfolio companies of Darussalam Assets Sdn Bhd range from various sectors covering the aviation, telecommunications and agricultural industry.

6 SECTORAL POLICIES AND DEVELOPMENT

6.1 OIL AND GAS

6.1. The Energy Department, Prime Minister's Office (EDPMO) was formed in 2011 upon the merger of the Energy Division at the Prime Minister's Office and the Petroleum Unit. This move was part of the efforts by the Government in further enhancing policy and decision-making in the energy sector. Reporting directly to the Minister of Energy at the Prime Minister's Office, the EDPMO is responsible for developing national energy policies in several key areas of the energy sector including oil and gas, development of downstream industries, local business development and local content, energy efficiency and conservation, renewable energy and electricity.

6.2. The Energy White Paper was launched in March 2014 by the Government which outlines the policies, strategies and actions for the energy industry in Brunei Darussalam as part of the nation's objective to achieve the Wawasan Brunei 2035. The Energy White Paper is based on three strategic goals – to strengthen and grow oil and gas upstream and downstream activities; ensure safe, secure, reliable and efficient supply and use of energy; and to maximise economic spin-offs from the energy industry.

6.1.1 Upstream Industries

6.3. In line with the Government's policy of increasing oil and gas production, the Government and PetroleumBRUNEI (PB) has opened up several offshore petroleum blocks in the last five years which has resulted in increased exploration activity. This has resulted in new operators such as Petronas Carigali while existing players such as Total and Shell Deepwater Borneo have increased exploration activity in new areas.

6.4. The main producer of oil and gas in Brunei Darussalam remains Brunei Shell Petroleum Company Sendirian Berhad within its existing concession areas while Total E&P Borneo B.V. continues to operate and produce gas in Block B. PB has also acquired participating interests overseas in order to grow its hydrocarbon resources and reserve base.

6.1.2 Downstream Industries

6.5. To capitalise on the production of oil and gas, as per the Energy White Paper, the Government has given much emphasis towards the development of downstream industries in designated industrial sites. The Brunei Methanol Company, a joint venture company comprising of

Japanese companies Mitsubishi Gas Chemicals Inc., Itochu Corporation and PB commenced methanol production in 2010 at the Sungai Liang Industrial Park (SPARK).

6.6. Pulau Muara Besar (PMB) is a 955 ha site under the purview of the BEDB and has been designated for oil and gas downstream activities and supporting services. In 2011, the BEDB facilitated a US\$4 billion investment by Hengyi Industries Sdn Bhd to develop an integrated refinery and aromatics complex in PMB. The island's first tenant will also be one of the largest foreign direct investments in Brunei Darussalam to date.

6.7. Additionally, the BEDB intends to develop a Fully Integrated Manufacturing and Logistics Hub for the domestic and regional oil & gas industry at PMB. The Integrated Marine Supply Base (IMSB) will be a centralised facility providing support services to offshore exploration and production activities in Brunei Darussalam. In June 2012, a consultant has been engaged to undertake the IMSB master plan.

6.2 MANUFACTURING

6.8. Under the management of BEDB, the Salambigar Industrial park (SIP), a 121-hectare industrial site, was established and allocated for light manufacturing industries. The first foreign investor is Simpor Pharma Sdn. Bhd., a joint venture company between Viva Pharmaceutical Inc. of Canada and one of Brunei Darussalam's Private Equity Fund Managers, Aureos-BICB. With an investment of US\$18.5 million, Simpor Pharma Sdn. Bhd. will be Brunei Darussalam's first Good Manufacturing Practice (GMP) and Halal certified manufacturer of pharmaceutical and nutraceutical products. Other opportunities in SIP include pharmaceutical, cosmetics and food manufacturing, as well as light manufacturing industries and supporting services.

6.9. Another successful foreign direct investment, in the food industry is the setup of Gold Coin (B) Sdn. Bhd. in Serasa. This US\$14 million joint venture, signed between Gold Coin (M) Group of Malaysia, Brunei Darussalam's QAF farms, Huaho Agriculture Farm and Soon lee Holdings, will be Brunei Darussalam's first animal feed mill, with an estimated annual production capacity of 130,000 metric tonnes per year for poultry feed. The decision to build and operate the Gold Coin Feed mill in Brunei Darussalam signals the commitment of the Joint-venture partners to help achieve Brunei Darussalam's vision for self-sufficiency in food supply, particularly in chicken products.

6.10. A 50-hectare site within the Tutong District, ideally located beside a 110-MW combined cycle power plant, has been prepared for the development of the Bukit Panggal Industrial Park which will house export-oriented energy intensive manufacturing industries. One example would be Silica Based Industries. As part of the efforts to diversify the economy into export-oriented manufacturing, the BEDB is exploring the potential to develop a chain of silica-based industries utilizing Brunei Darussalam's silica sand reserves. A feasibility study has been completed which measured the silica sand resource at over 40 million tons and concluded that it is of sufficiently high quality for use in a variety of industrial applications. The BEDB is currently facilitating proposals from investors to develop silica-based industries supported by an upstream mining operation.

6.11. In 2013, the BEDB developed Rimba Digital Junction, a 15-hectare industrial park for high-tech industries ideally located within the Central Business District. The site offers tenants close proximity to the Tungku Submarine Cable Landing Station as well as connectivity to two electrical distribution networks. The anchor tenant for Rimba Digital Junction will be CAE Brunei MPTC Sdn. Bhd., a joint venture company between CAE Inc., Canadian private company and global leader in modeling, simulation and training for civil aviation and defence sectors, and the Strategic Development Capital (SDC) fund of the Ministry of Finance.

6.12. CAE Brunei MPTC will invest and operate a Multi-Purpose Training Centre (MPTC) providing state-of-the-art high tech training solutions to key market segments including oil and gas, aviation, defence and emergency and crisis management. The first phase of the project will include the development of the region's largest helicopter simulator training facility. The MPTC building is being invested and developed by the BEDB who will lease the facility to CAE Brunei MPTC Sdn. Bhd. The MPTC project will generate significant economic benefits for Brunei Darussalam, including an injection of over US\$100 million investment into the economy and the creation of more than 35

direct local jobs in the high tech sector. In addition, the MPTC is expected to become a regional training hub drawing in international customers to train in Brunei Darussalam. The MPTC is scheduled to commence operations by Q2, 2014. Other opportunities in the Rimba Digital Junction include Information and Communication Technology (ICT) activities as well as potential data center services.

6.3 AUTORITI MONETARI BRUNEI DARUSSALAM (AMBD)

6.13. Autoriti Monetari Brunei Darussalam (AMBD) was established on 1 January 2011 under the AMBD Order, 2010. AMBD was established with the amalgamation of four divisions, which were previously under the Ministry of Finance. The four divisions are Financial Institutions Division (FID); the Brunei Currency and Monetary Board (BCMB); the Brunei International Financial Centre (BIFC); and Part of the Research and International Division (RID).

6.14. The principle objectives of AMBD under the order are to achieve and maintain domestic price stability; to ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards; to assist in the establishment and functioning of an efficient payments system and to oversee them; and to foster and develop a sound and progressive financial services sector.

6.3.1 Brunei Financial System

6.15. Brunei Darussalam's financial system consists of a dual financial system comprising Islamic and conventional financial institutions.

6.16. The Ministry of Finance and AMBD place great importance in ensuring that the overall Islamic financial system operates in accordance with Sharia principles. The Ministry has established a two-tier Sharia governance infrastructure comprising two vital components:

- a. A centralised Syariah Financial Supervisory Board (SFSB) of Brunei Darussalam where AMBD is the appointed secretariat; and
- b. The Internal Sharia Advisory Board (SAB) formed at the respective Islamic Financial Institutions (IFIs).

6.17. The SFSB is a body established under the Syariah Financial Supervisory Order 2006 that has positioned the SFSB as the authority for the ascertainment of Islamic law for the purpose of Islamic financial business. The mandates of the SFSB are among others, to ascertain the Islamic law on any financial matter and issue a ruling upon reference made to it, as well as to advise on any Sharia issues relating to Islamic financial business, activities or transactions.

6.18. At the industry level, IFIs may consult with the SFSB on Sharia matters relating to Islamic banking business, takaful business, Islamic financial business, Islamic development financial business and any other business which is based on Sharia principle. Towards the continuous advancement of Islamic finance, AMBD may issue written directives on these Sharia matters with the advice of SFSB.

6.19. With the formation of AMBD, Brunei International Financial Centre's responsibilities in issuing licenses to both conventional and Islamic institutions have been taken up by the Development Division under AMBD. The Unit is responsible for registration and supervision of International Business Companies (IBCs) governed under the International Business Companies Order, 2000 (IBCO) and also registration of international trusts and partnerships under International Trusts Order, 2000 and International Limited Partnerships Order, 2000 respectively. All IBCs incorporated are exempt from tax. Applications or documents must be submitted to the Registrar of International Business Companies (and Limited Partnerships).

6.20. Brunei Darussalam recognises the significant threats of money laundering and terrorism financing which can disrupt the country and the region's security and economic activities. Brunei Darussalam is committed to ensuring money laundering, terrorism financing and other related financial crimes are controlled and prevented. Established in February 2007, the Financial Intelligence and Enforcement Unit undertakes various functions in coordinating and monitoring the

interagency efforts towards combating money laundering, terrorism financing and other related financial crimes including working closely with supervisory authorities and enforcement agencies, and providing recommendations or and guidance to reporting institutions on AML/CFT initiatives.

6.21. The Financial Intelligence and Enforcement Unit also plays the role of the central agency in Brunei Darussalam responsible for receiving, requesting, analysing and disseminating information concerning suspected proceeds of crime, money-laundering and terrorism financing.

6.22. Section 30 of the Criminal Asset Recovery Order 2012 also gives the Financial Intelligence and Enforcement Unit other powers, including provide training programmes to reporting entities in relation to customer identification, record keeping and reporting obligations, and the identification of suspicious transactions; conduct research into trends and developments in the areas of money laundering and terrorism financing and improved ways of detecting, preventing and deterring money laundering and terrorism financing activities; educate the public and create awareness on matters relating to money laundering and the financing of terrorism; and liaise with and enter into any agreement or arrangement with any foreign government institution or agency, or any international organisation regarding the exchange of information pursuant to the Criminal Asset Recovery Order 2012.

6.4 TELECOMMUNICATIONS

6.23. After our review in 2008, Brunei Darussalam has embarked in a number of initiatives in the telecommunications sector signing a record of Intent with Malaysia and Singapore on "The Channel Allocations for Digital Terrestrial Broadcasting and Wireless / Mobile Communication Services in the VHF Band III and UHF Band sIV/V"; concluded negotiations for the Construction and Maintenance Agreement for the Asia-America Gateway (AAG) Submarine Cable Network. In 2009, Brunei International Gateway (BIG) was then established to look on investment and participate in the AAG Submarine Cable project operation; and deploying the National Broadband Network based on Fibre-To-The-House (FTTH) technology for the entire nation and implement the High Speed BroadBand (HSBB) plan.

6.24. AITI has also embarked on a project to develop Brunei Darussalam ".bn" Domain Name Management Framework to establish a foundation for the development, growth and also to encourage the establishment of more online presence to facilitate business and operations to increase the update of .bn domain names.

6.25. Quality of Services (QoS) framework for the telecommunications sector in Brunei Darussalam took effect from October 2012. These continue with the introduction of Code of Practice for the QoS to promote delivery of telecommunications services at performance standards that reasonably meet the social, industrial and commercial needs of Brunei Darussalam.

6.26. In 2013, Tariff Regulation Framework was introduced for the Telecommunications and broadcasting services. Currently AITI is working on a new Code of Practice on "tariffs" to regulate retail and wholesale tariffs for both industries. This ex ante tariff regulation methodologies aims to ensure that telecommunications and broadcasting infrastructure and services are offered at affordable prices to all levels of society and encourage competition among industry

6.27. Brunei Darussalam at the moment are in the final stages of revising and updating the telecommunications Licensing and Regulatory Framework which was developed in 2003. The revise framework will take effect in 2016 to provide direction and anticipated results for the converged telecommunications and broadcasting industries. The new Converged Regulatory Framework is tailored to follow the direction set by the overall Strategic Plan and national strategies and to cater for the convergence of the telecoms and broadcasting regulatory sectors.

6.28. A new Code of Practice on "tariffs" will be introduced to regulate retail and wholesale tariffs for telecommunications and broadcasting infrastructure and services. This ex ante tariff regulation methodologies aims to ensure that telecommunications and broadcasting infrastructure and services are offered at affordable prices to all levels of society and encourage competition among industry

6.29. The Ministry of Communications introduced a new policy for phasing out Television Receive Only (TVRO) within five (5) years which came into effect on the 1st September 2013. The new policy for the use of TVRO systems is aimed to make the broadcasting industry in the country more organized, competitive, dynamic, controlled and has its own identity in fulfilling the public taste while contributing to its growth.

6.5 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

6.30. In 2009, AITI Accredited Business (AAB) Status was introduced to establish a database of local ICT companies and serve as reference point for foreign companies, government ministries and other agencies interested in doing business with them. This followed by the introduction of ICT Accredited Business (ICTAB) in 2011 which is another level of accreditation and is a mandatory pre-requisite to participate in Government ICT tenders.

6.31. On July 2010, AITI has launched a "Grant Scheme" to assist local ICT companies with the aim to encourage innovation, R&D activities and also further develop their 'Brunei Made products' with the intention of creating commercial marketable.

6.32. In 2010 the Ministry of Communications and AITI embarked on an in-depth study to assess the Networked Readiness Index (NRI) for Brunei Darussalam. The aimed of the study was to assess the overall achievement, propose strategic recommendations and improve country's NRI

6.33. In April 2012, AITI collaborated with the International Telecommunication Union (ITU) and International Multilateral Partnership against Cyber Threats (IMPACT) to organize a Child Online Protection (COP) Workshop. The COP Framework addressed the practical and effective measures based on the five pillars of legal measures, technical and procedural measures, organizational structures, capacity building and international cooperation. Brunei Darussalam is the first ASEAN country to develop this framework.

6.34. Brunei Darussalam also participated in international exhibition such as CAEXPO Nanning in 2008 and CommunicAsia from 2009 till date, bringing local ICT companies to meet together with industry professionals around the world to obtain industries updates, witness product and services launches, optimize business opportunities, gain insights from industry experts and provide platform to showcase their products and develop potential business partnerships with international companies.

6.35. AITI is currently implementing a project to develop National ICT Manpower Master Plan for Brunei Darussalam to identify the future supply and demand of ICT-skilled workforce. It will provide analysis on the HRD challenges and confirming ICT manpower demand and skill needs in various sectors. It would also provide recommendations on various implementation plans to overcome the HRD challenges and to build ICT human resources to meet the sectorial and industrial ICT needs. The project has been carried out since June 2014 and expected to be completed in the first quarter of 2015

6.36. On 14 October 2014, the Authority for Info-communications Technology Industry of Brunei Darussalam and IDA International Pte Ltd entered into an agreement for "Consultancy Services to Develop the ICT White Paper for Brunei Darussalam". Under this agreement, existing ICT programmes and initiatives will be reviewed to understand the dependencies and current progress of ICT in Brunei in order to develop a high-level national ICT White Paper. The ICT White Paper will cover a period from 2015 to 2020 and will look into 5 key enablers that comprised of ICT manpower master plan, governance, common services, security and network infrastructure. These enablers will hope to align and cut across mainly to six (6) identified industries namely E-government, education, energy (oil and gas), health, transport and services. It will also recommend strategies, and identify and develop programmes for these industries through a roadmap in order to meet the strategic goals identified under Wawasan 2035. The consultants will also recommend policies and governance structure, identify the relevant KPIs and develop a communication plan to roll out the proposed strategies and programmes.

6.37. BEDB also undertook efforts aiming at building an ICT related industry through the establishment of the iCentre. The iCentre is the first Info-Communication Technology Incubator in Brunei Darussalam and aspires to be a centre of excellence for nurturing and cultivating successful

entrepreneurs within the ICT industry. Managed by KR Consulting, a business unit of NUS Enterprise, the iCentre physically incubated 13 ICT and Multimedia companies in addition to 7 virtual incubatees. Being incubatees in the iCentre means that incubatees are provided skills enhancing and entrepreneurial workshops, and networking sessions that can help improve their business and allow them to make the necessary business and industry connections.

6.38. The BEDB is also working in collaboration with the Energy Department (EDPMO) and the e-Government National Centre (EGNC) to develop a National Data Centre for the Government and a Hydrocarbon Data Centre. The consolidated National Data Centre (NDC) will be capable of supporting the needs of both the Brunei Energy and e-Government and hydrocarbon data in addition to catering to both domestic and regional demand. It is the hope of the BEDB that the NDC project will serve as a platform to develop Brunei Darussalam as a regional Hub for further Data Centre and Disaster Recovery Centre activities.

6.6 PORTS

6.39. The Ports Department under the Ministry of Communications has taken developmental steps to upgrade its services through the 2008-2017 Strategic Planning core strategy - "Private Sector Facilitation and Participation". Muara port, under the 10th National Development Plan, includes the extension of the existing terminal to another 150-200 metres in length for the Muara Container Terminal. A consultant is engaged to design works and prepare a document on its construction before construction work can be implemented.

6.40. Prior completion, Muara Container terminal will be equipped with state-of-the-art facilities, capable of accommodating an increasing volume of container cargo and larger container ships. This will further support activities such as transshipment, stuffing and unstuffing of container, logistics and shipping connectivity.

6.7 TOURISM

6.41. Tourism Development Department, Ministry of Industry and Primary Resources (TDD) is responsible for developing tourism industry and position the country as distinct tourism destination in the region – while upholding the nation's philosophy of Malay, Islamic, Monarchy and supporting the national inclusiveness, sustainability and green growth agenda. It also administers Brunei Travel Agents Act (Amendment) Order 2012 and Travel Agents (Amendment) Regulation 2012 – and provides technical support services to clients such as travel agents, tour operators, hospitality service providers as well as visitors to Brunei Darussalam

6.42. Currently, TDD is in the process of implementing the Brunei Tourism Master Plan (2011-2015). The Brunei Tourism Master Plan is designed to provide strategic direction to guide Brunei Darussalam to achieve an economically viable and sustainable tourism development that fits with Brunei Darussalam national agenda on natural environment and the perpetuation of our culture and values. The Brunei Tourism Master Plan identified two main clusters to drive growth under the primary offerings – Nature, and Culture & Islamic (heritage) to be supported by secondary offerings and optimisation of current product offerings. A total of 25 initiatives and 69 projects were identified to drive tourism growth to achieve 50% increase in visitor spending (18% CAGR); 27% increase in visitor arrivals; 53% increase in investment and 38% increase in total tourism-related employment by 2016.

6.8 RESEARCH AND DEVELOPMENT

6.43. Brunei Darussalam enforced the Consumer Protection (Fair Trading) Order, 2011 on 1st January 2012 with the objective to protect consumers' interests and upholding their rights against any unfair practice by businesses. The Department of Economic Planning and Development as the specific body responsible for consumer protection are actively conducting consumer awareness and education programs such as seminars, roadshows, consumer materials and media throughout the country. The coverage of the program amongst others includes government sector, public sector, private sector and educational institution.

6.44. Towards supporting better market efficiency and to promote better consumer welfare, Brunei Darussalam is also actively undertaking efforts towards developing a competition law

framework. In view of the lack of expertise and capacity in the issue of competition policy and law, engagements with regional and international experts have been a critical source of input. This included assistance provided via the ASEAN sectoral body on competition and the MOU signed with competition experts under the United Nations Conference on Trade and Development (UNCTAD).

6.45. The BEDB recognizes the need for Research & Development (R&D) and uses it as a potential way to attract foreign companies and experts into Brunei Darussalam. To achieve this, the BEDB has introduced the Brunei Research Incentive Scheme (BRISc), which was launched in September 2012. The strategy is for companies to set Research & Development projects or lab facilities in Brunei Darussalam, with the objective of commercializing products as the end result.

6.46. BRISc is a cost-sharing scheme to support R&D activities conducted in the five focus areas, which is Energy, Environment, Health Care & Health Sciences, Information & Communication Technology (ICT) and Food Security. It is eligible for local and foreign companies. For local companies, the Brunei Government is able to cost share up to 80% of the R&D cost. For foreign companies conducting R&D in Brunei Darussalam in collaboration with a local Government agency or with an Institute of Higher Learning (IHL), up to 70% of the R&D cost can be cost shared by the Brunei Government. For foreign companies conducting their R&D project in Brunei Darussalam on its own, the Brunei Government can still potentially cost share up to 50% of the R&D Cost. The maximum funding amount for each project submitted by companies is BND 5 million, with 3-year project duration. Companies are allowed to apply for multiple projects. Part of the deliverables under BRISc is capacity building of local students, researchers and engineers, who must be able to participate in the projects proposed. The BEDB has received endorsement from the Brunei Research Council (BRC) on 3rd July 2012 to implement BRISc, and has been allocated BND20M as seed funding for a period of 2 years.

6.47. In December 2013 an agreement was signed between the Ministry of Industry and Primary Resources (MIPR) and an Australian R&D firm, Neptune Bio-Innovations Pty Ltd (NBI). They became the first company to receive the BRISc funding for their proposed R&D projects. In collaboration with MIPR, NBI will be carrying out 3 different R&D projects from the development of pharmaceutical products and healthier food supplements focusing in vitro propagation of medicinal plants for medicinal preparation to the design and development of a novel delivery system in food and pharmaceutical products as well as the development of Halal rennet sourced from plant extracts that is suitable for cheese and yogurt manufacturing.

6.48. In terms of research and development in higher education, one of the initiatives made by the Government through the Universiti Brunei Darussalam (UBD) was the introduction of the Graduate Research Scholarship Scheme which is funded under the Human Resource Development (HRD) Fund from the Department of Economic Planning and Development (JPKE). The scheme was introduced to facilitate and promote research degrees to develop the University into a research intensive university as well as to expand and enhance the quantity and quality of its graduate programmes and graduate students. The research scholarship is awarded to outstanding candidates to pursue full-time PhD at UBD. It is awarded on a very competitive basis and open to international students. With the scholarship, the graduate students will then assist the university to:

1. Increase the number of Bruneian students doing research that will contribute to capacity building and thus, Wawasan Brunei 2035
2. Increase research done on Brunei Darussalam that will contribute to Wawasan Brunei 2035
3. Raise the quality of research conducted at UBD
4. Produce commercially-viable patents
5. Increase academic publication outputs for UBD in higher-tier journals and databases such as Scopus, Web of Knowledge, Google Scholar etc
6. Increase of citations of papers from UBD
7. Assist the internationalization of the UBD students body

6.49. With regards to Research and Development projects at national level, the Government has established the Brunei Research Council (BRC) to promote and encourage research which can contribute to national development. The BRC is located at the Department of Economic Planning and Development (JPKE), Prime Minister's Office which functions as its Secretariat.

6.50. A specific fund known as the BRC Fund has been allocated under the National Development Plan. It aims to encourage research and development (R&D) and innovation to support national development efforts towards realising 'Wawasan Brunei 2035' and beyond. Benefits and contributions of any research projects must be identified and priority will be given to those research proposals that possess most of the following elements: research that has the potential for human capital development; discovery of new knowledge and technology; and development of new products or improvement of existing products, processes, systems or services that may lead to increase in productivity in all sectors in the economy and commercialisation.

6.51. Example of Projects funded by BRC:

Table 6.1 Projects funded by BRC

(US\$)

Agency	Title	Principal Researcher	Budget allocated
MIPR	Faunal Biodiversity Survey in the Extension Zone of the Proposed Ulu Belait Basin Wildlife Sanctuary	Dr. Ang Bee Biaw	1,463,044.00
ITB	Road Infrastructure Safety Study (RISAS)	Dr. Tan Soon Jiann	284,400.00
UBD	Green Communities, Power Swing in Electricity Grids & Consumer and Grid Friendly Homes	Dr Lim Chee Ming	13,355,000.00

Note: Ministry of Industry and Primary Resource (MIPR); Institute of Technology Brunei (ITB); University Brunei Darussalam (UBD).

7 STRATEGY FOR FUTURE GROWTH

7.1. Brunei Darussalam remains strongly committed in its efforts towards achieving economic diversification and sustainable development. The stable political system, sound macroeconomic policies, well-developed infrastructure in areas such as education, health, transportation and communications and strong legal and regulatory environment as well as stable supplies of basic amenities makes Brunei Darussalam an attractive option for potential foreign investors.

7.2. Brunei Darussalam's economic diversification and long term economic strategy will also continue to be guided by the strategies and policy directions set out in the Vision 2035, which aims to make Brunei Darussalam by 2035, *inter alia*, a dynamic nation and sustainable economy with income per capita within the top 10 countries in the world. Amongst the Key Performance Indicators (KPIs) that include a GDP growth rate higher than 6 per cent per annum.

7.3. Recognizing the importance of the oil and gas industry to the economy, the Government, as described in the Energy White Paper, are continuing initiatives to diversify and strengthen the energy sector, including increasing efforts in upstream activities and focusing on attracting FDI to develop downstream industries by offering industrial facilities such as SPARK and PMB. In addition, the Government has identified export manufacturing and services sector, such as halal food processing; halal pharmaceuticals and cosmetics; oil and gas-based petrochemicals; information and communications technology and high tech industries; and air and sea logistics, aviation and energy services as important efforts towards economic diversification.

7.4. Brunei Darussalam continues to place great emphasis on the commitments made in its FTAs, which could potentially attract investors leveraging on these FTAs as a tool to gain greater market access. The Government attaches importance to private sector development by presenting it with greater opportunities and experience through these FTAs.

8 CONCLUDING REMARKS

8.1. Being heavily dependent on oil and gas as the main source of economic growth, Brunei Darussalam is working on diversifying into other sectors of the economy.

8.2. Brunei Darussalam remains committed to free and open trade and acknowledges the importance of FDI in diversifying and developing the economy. Brunei Darussalam also attaches great importance to economic and technical cooperation and capacity building initiatives in helping the economy adapt to the increasingly global community. The Government will continue to introduce new policies and/or review existing policies to become a more open economy and adhere to its international and regional commitments.